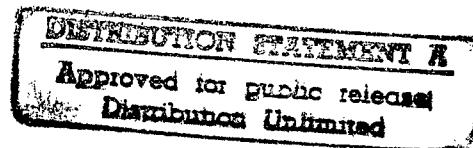


JPRS-EER-91-163  
31 OCTOBER 1991



# ***JPRS Report***



# **East Europe**

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# East Europe

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**Draft Law on Press, Other Public Media**  
92P20023A Tirana ZERI I POPULLIT in Albanian  
6 Oct 91 p 3

[“Text” of “Draft Law on the Press and Other Public Information Media”]

[Text] On the basis of Article 16 of the law entitled “On the Main Constitutional Provisions,” upon recommendation of the Council of Ministers, the People’s Assembly of the Republic of Albania has resolved:

**Chapter I**

**General Provisions**

**Article 1.** In the Republic of Albania, freedom of the press and of other forms of public information are guaranteed. Every citizen has the right to publish writings and other information without obstacles on the part of state authorities and the realization and protection of this right will be legally guaranteed.

**Article 2.** Censorship of press and the other public information media is prohibited.

**Article 3.** The term, public information, means information in the press, in other periodical publications, in material which is printed and distributed publicly, and audio and audio-visual materials disseminated by means of radio and television.

The term “public information media” means newspapers, reviews, editorial boards, publishing houses, and other periodic means for the dissemination of public information.

**Article 4.** The public information media receive juridical personality after they are approved and registered by the competent organ stipulated by this law and they are represented by their director or chief editor.

**Article 5.** Radiotelevision, the Albanian Telegraphic Agency, and the Film Studio, as juridical persons, are created by law.

**Article 6.** The state guarantees the national minorities the right to use their mother tongue in receiving and disseminating public information.

Other languages can also be used for public information.

**Article 7.** In their activity, the public information media maintain principles of objectivity, transparency, equality, independence, and respect for moral norms.

The state public information media maintain principles of pluralism in their information activity.

**Article 8.** Monopoly over the public information media and their use for disinformation are prohibited.

**Article 9.** It is prohibited to use the public information media to disseminate information which constitutes a state secret, which calls for the violent overthrowal of the

constitutional system, which calls for terror and racist excesses, in order to stir up hatred and dissension between the Albanian people and other peoples, to disturb international peace, to disseminate pornography, to provoke activities which seriously damage public morality, and to provoke crimes and other activities which are condemned by law.

The public information media cannot be used to interfere in the personal lives of citizens, against their honor and dignity.

**Article 10.** The radio and television stations, the telegraphic agencies, and the film industry are state property.

Under conditions specified by law, the specific objects mentioned above can also be owned or jointly owned by other subjects, such as political parties, political, economic, or social organizations.

**Article 11.** The provisions of this law do not apply to public information which is printed or reproduced on the basis of a request from a foreign requester and which is intended for dissemination outside our country.

**Article 12.** The public information media, as a rule, carry on their activity by self-financing.

The public information media of the state can be subsidized from the state budget, in light of their cultural and informational importance on the national level.

The concrete item subsidized and the amount of the subsidy are determined by the Council of Ministers.

**Chapter II**

**The Creation, Approval, and Registration of Public Information Media**

**Article 13.** Political, economic, and social organizations, trade unions, state institutions, cooperatives, religious communities, and private individuals have the right to have public information media.

**Article 14.** The public information media are approved by the Directorate of Information in the Council of Ministers.

Requests for the approval of the public information medium must contain:

- The type of public information medium.
- The title.
- The surname, first name, and address of the founder, and of the director or chief editor.
- The platform and aims of the public information medium.
- The audience to which it is directed.

—The material resources for its creation, the source and manner of financing.

**Article 15.** The Directorate for Information is obliged to examine the request within 30 days of its receipt. If it does not respond within this period, the public information medium is considered to be approved.

The public information medium which is approved is registered in the appropriate registry in the Directorate of Information.

When it is determined that the regulations stipulated in this law have not been followed, the request is returned within 15 days for the appropriate compliance.

**Article 16.** The request is rejected when the platform and the aims of the public information medium are in contradiction with the regulations stipulated in Article 9 of this law.

The public information medium has the right to appeal the rejection decision to the Supreme Court, within 15 days of the day after the proclamation or notification of the rejection.

**Article 17.** A fee, whose amount is set by the Ministry of Finance, is paid as proof of registration.

**Article 18.** When the public information medium does not begin its activity within a year of the date of the registration, the approval is considered to be invalid and its deregistration is carried out.

**Article 19.** When the public information media make changes in the requests stipulated in Article 14 of this law, they should notify the Directorate of Information within 10 days.

When the Directorate of Information determines that these changes are in conflict with the regulations of this law, it decides to reject them and, within 20 days of the presentation of the request, it informs the organ concerned.

**Article 20.** The state organs have the right to disseminate public information without the approval of the competent organ when they publish official normative acts and bulletins dealing with court activity and arbitration.

Educational and scientific institutions have the right to create and to disseminate, without prior approval, informational material which is necessary for their activity.

Also, approval by the competent organ is not necessary in the case of the preparation of informational material which is not intended for public use.

### Chapter III

#### The Operation of the Public Information Media

**Article 21.** The director or the chief editor approves the program of activity of the public information media. The editorial board and every other link involved in the

public information process implements this program on the basis of professional independence.

The director or the chief editor of the public information media gives the final approval for the informational material.

**Article 22.** Every issue of a periodical publication must contain the following: its name, the director, the number of the publication, the date, the price, and the address of the editorial board, the publisher, and the printing press.

**Article 23.** For each publication, the public information media must give priority to paid subscriptions for libraries of all categories and they are obliged to send five copies, free of charge, to the National Library.

**Article 24.** Materials broadcast by television and radio are kept for one month after they are broadcast, along with data on the persons producing them.

**Article 25.** The public information media base their activity on legislation in force in the Republic of Albania, on international agreements, and on the generally accepted principles and norms of international law.

### Chapter IV

#### The Relations of the Public Information Media with State Organs, Political, Economic, and Social Organizations, Functionaries and Citizens

**Article 26.** The public information media have the right to receive the necessary information from state organs, political parties, and economic and social organizations, by means of their directors and spokesmen and by means of citizens.

Juridical persons must provide journalists with every opportunity for becoming acquainted with the necessary documents, so that the accuracy and truthfulness of the reports which they publish will be assured.

**Article 27.** When journalists are prevented from receiving the information which they need, they have the right to appeal to an organ on a higher level than the one from which the information was requested.

**Article 28.** No one has the right to prevent the publication of information by the public information media. Every case of obstruction or exerting of pressure is condemned in accordance with provisions in force.

**Article 29.** The public information media are obliged to respect authors' rights in accordance with the provisions in force. In the process of preparing materials for publication, with the preliminary or prior consent of the author, some necessary editing and cutting which do not distort the meaning and content of the text can be executed.

**Article 30.** No one has the right to force the public information media to publish and broadcast information.

If it is claimed that published material is untrue or harms the dignity or honor of a state organ, a political party, a political, economic, or social organization, or a citizen, they have the right to demand that the public information media present a refutation or give a reply in the same organ of the media. When it is a case of a daily or weekly organ, the reply or the refutation is published within 20 days, while, in the case of organs which are published less frequently, the reply or refutation is published no later than the third issue after the publication of the material.

If the refutation is refused or the reply is not considered to be correct or if the deadlines mentioned above expire, the injured parties have the right to address themselves to the court of the district in which the organ of the public information media is located, within two months of the date of the notification of the organ.

The decision of the court constitutes the response to or refutation of the material published.

**Article 31.** The public information media do not have the right to mention the name of the person who has provided them with information if this person asked to give the information anonymously or under a pseudonym.

Exceptions are made only in cases when the investigative organs or the court have begun work on a penal case which is connected with the information presented in the material published.

**Article 32.** The public information media carry out the printing or reproduction of their materials, which constitute public information, by the use of their own means or through the intermediary of juridical and physical persons which carry out this activity, with whom they sign contracts.

**Article 33.** In regard to the development of private activity in the printing field, the provisions stipulated by legal decrees and those with the effect of law dealing with private activity are implemented.

**Article 34.** The distribution of the periodical press is carried out by the published by his own means or by other juridical or physical persons, with which an appropriate contract is signed.

The distribution of the press or the transmittal of public information without receiving permission from the director or chief editor of the public information media organ is prohibited.

## Chapter V

### International Cooperation

**Article 35.** International cooperation in the field of public information is carried out on the basis of international agreements concluded for this purpose.

In the event that international agreements ratified by the People's Assembly contain other norms which are different from those stated in this law, the norms of the international agreement are applied.

The state or private public information media have the right to cooperate in providing information in the international sphere within the requirements set by the legislation in force, by signing agreements with the state or private public information media of other countries.

**Article 36.** The public information media can accredit journalists in other countries.

## Chapter VI

### The Rights and Duties of the Journalist

**Article 37.** Any employee of a newspaper or review, of radio or television, of the Albanian Telegraphic Agency, and of the documentary film studio who collects, edits, or prepares material for the public information media is considered to be a journalist. He is linked to these media by means of a work contract.

**Article 38.** To carry out his professional duties , the journalist has the right:

- 1) To ask to be given true and accurate information.
- 2) To go to get information and to be accepted for this purpose by all state organs and political, economic, and social organizations.
- 3) To use the necessary technical means, such as audio-visual means, photographic equipment, television cameras, etc., except for cases in which this is prohibited by special provisions.
- 4) To be equipped with a journalist's card, which, when presented, permits him to participate in various state, political, and social activities, in accordance with the regulations set for the development of concrete activities.
- 5) To seek the assistance of specialists in appropriate fields for the best possible verification of facts and circumstances in connection with the material which they will be preparing.
- 6) To remove his signature from material when he believes that it has been distorted by other people during the editing process.
- 7) To refuse to put his signature on material when it is in contradiction with his convictions.
- 8) To specify in advance that the secrecy of the author will be protected.
- 9) To use a pseudonym.

**Article 39.** The journalist is obliged:

- 1) To execute the tasks in the program of the public information media organ for which he works and to observe its internal regulations.
- 2) To protect state secrets.
- 3) To fully evaluate all sorts of information before passing it on.
- 4) To honor the request of the person giving him information to remain anonymous.
- 5) To respect the legitimate interests and rights and the personality of the state organs, the political, economic, and social organizations and other juridical and physical persons.

**Article 40.** The journalist bears responsibility, according to the provisions in effect, for failing to corroborate facts and circumstances which he presents in the press and in other public information media.

The journalist is not responsible when the facts and circumstances presented by him are included in documents which constitute full proof or in official statements of state organs, political, economic, and social organizations or trade union organizations.

**Article 41.** The public information media can accredit journalists to state organs and to political, economic, and social organizations, with the approval of these organs and organizations.

## Chapter VII

### **The Interruption of the Publication and Distribution of the Press or of Other Public Information and the Closing Down of the Public Information Media**

**Article 42.** The interruption of the publication and distribution of the press, the interruption of other public information activity and the shutting down of the public information media take place only if actions in conflict with Article 9 of this law take place.

**Article 43.** The interruption of the publication and distribution of the press and the interruption of other public information activity are carried out mainly on the order of the public prosecutor or at the request of the organ which approved the public information media organ, or in accordance with a request submitted by other parties.

In this case, the public prosecutor orders that publications and other materials used in public information activity be sequestered. The order for sequestration is executed by the organs for the protection of law and order.

**Article 44.** The order for the interruption of the publication and dissemination of the press or of other public information can be appealed in the court of the district in which the headquarters of the public information medium is located within three days of the date of the communication of the order.

The sequestration measure is implemented by the destruction of all copies intended for dissemination and of the matrices, lithographic plates, and similar types of materials which are used for the publication and distribution of the press and of other public information.

**Article 45.** The public information media can be shut down permanently when a temporary interruption is repeated within a year or when, by means of the press or other public information, serious damage has been caused to state and social interests.

**Article 46.** The request for the permanent shutting down of a public information medium is made by the organ which has approved the medium or by the public prosecutor and the issue is examined by the court of the district in which the headquarters of the public information medium is located.

## Chapter VIII

**Article 47.** The violation of the regulations stipulated in Article 9 of this law constitutes the penal act of the abuse of the freedom of the press and of other public information media and the violators will be sentenced to reeducation through work or by deprivation of freedom for up to five years.

**Article 48.** Violations of the regulations stipulated in articles 19, 22, 23, 24, and 31 of this law, when they do not constitute penal acts, are treated as administrative contraventions by the inspectors of the Directorate of Information in the Council of Ministers and are sentenced to a fine of from 300 to 500 leks.

The decision on the sentence can be appealed, within five days of the date of the proclamation or announcement of the decision, to the director of the Directorate of Information in the Council of Ministers, whose action on the matter is final.

**Article 49.** Detailed regulations for the implementation of this law are stipulated by the Council of Ministers.

**Article 50.** This law goes into effect [no date, as published].

### **Transportation Moves Toward Market Economy**

92P20050A Tirana REPUBLIKA in Albanian 12 Sep 91  
p 3

[Interview with Minister of Transportation Fatos Bitincka by Petro Dhimitri, chief editor of REPUBLIKA; place and date not given: "Our Transportation on the Road to the Market Economy"]

[Text] [Dhimitri] Mr. Minister, much has been said about moving on to the market economy. Can you tell us what the transportation sector is doing in this area or whether, in this sector, there is just a lot of talk?

[Bitincka] Not only is there talk but also we are doing something. We have had discussions with specialists

from Hungary and Poland, countries which have passed through this phase and we have become familiar with the main materials issued by the World Bank and the IMF. On the basis of this experience, we determined our strategy of privatization.

[Dhimitri] And what have you done, in concrete terms?

[Bitincka] First, so far, about 93 percent of the taxi service has been privatized and it will be completely privatized by 10 September. Of course, there were some difficulties, in particular, hesitation on the part of workers in enterprise managements which would be undergoing a reduction in force. There was also hesitation in some executive committees, especially in regard to prices since the vehicles were bought for cash. There were more than 300 taxicabs. The 50 trucks used as taxis for the transport of goods were also privatized.

We allocated a large part of the inventory—about 300 vehicles—to the agricultural cooperatives, the trade enterprises, the communal enterprises, and others so that they could do their job better. We used two forms: direct sale or the transfer of the vehicle. Our aim is, by decentralizing the means of transport, to increase the effectiveness of their use and the attention to their maintenance. For example, the forestry enterprises have been given the vehicles used for transporting wood from the forest to the collection points. So far, about 220 trucks have been handed over for this activity. The transport of passengers in some centers, such as Mezez, the Elbasan metallurgical combine, and Bater has been assigned to the appropriate enterprises which received the buses. Some 70 buses have been handed over and this process is continuing. We will continue this process for a specified inventory of means at our disposal.

[Dhimitri] And what about the sale of private vehicles?

[Bitincka] As another phase we will be beginning the sale of a group of vehicles for the private sector in the market which will satisfy the needs for supply. It is important to stress that these vehicles will be sold to the persons who are using them now, if they want to own them. We will sell about 200 vehicles.

[Dhimitri] What will be done about those drivers who do not have enough money to buy the vehicles they have been driving?

[Bitincka] This will be taken care of in the third phase, for which about 50 percent of the vehicles will remain. They will be rented to the persons using them and, after a period of time, they will be all theirs. In addition, this year will see the beginning of the creation of transportation cooperatives and stock companies between the state and individual shareholders and this will become more extensive next year. Buses in urban service and those which will be used to link the main railroad stations with the cities of the country will continue to belong to the state while transport cooperatives will be created with the rest of the buses. The vehicles will be purchased directly or will be rented. This will begin in October of

this year and will continue. Rail transport will remain in the hands of the state, except for annexes of this service which could be privatized later.

The first privatization processes have also begun in regard to sea transport, such as renting out small ships, using sea vessels belonging to Albanian or foreign owners, as was the case in Sarande. The implementation of regulations and the establishment of fees are of special importance at this time and we are working on these matters with the Ministry of Finance.

[Dhimitri] What are your plans for workers in the centralized machine bases which will be eliminated?

[Bitincka] We will set up service points right away so that, for now, most of them will be working, because, later on, the increase in private vehicles alone will require more services so mechanics will be more in demand.

[Dhimitri] What you have told us sounds good but the condition of the trains and buses is a sore spot, to say the least.

[Bitincka] This happened because transportation has not received the proper concern and attention and its needs have never been satisfied. So that is why the means of transportation are as you see them today. In addition, the damage which has been done to them by citizens was unjustified. It was the result of uncultured, not at all democratic, behavior which caused us serious damage. The repair of the interior furnishings of one railroad car costs 1 million new leks. So far, we have repaired five of these. In addition to the concern of our personnel and the increased vigilance of the workers charged with protecting law and order, the citizens themselves must also keep up the railroads so that they can travel more comfortably.

[Dhimitri] Mr. Minister, how will we solve the problem of increasing the number of buses when we know how little money we have?

[Bitincka] As part of the credit extended by Italy, buses will begin coming in September for the urban transportation system in Tirana and the districts. We believe that we will reach a satisfactory solution before the end of the year. This does not mean that since we will be receiving other buses we will be leaving the old ones, the present ones, unused. As for railroad cars, we will get about 70 more cars, which will improve this service compared with the existing situation. Like the buses, they will not be new, but they will be in good condition. It would be too much to say that they should not be damaged because we will do the damage to them ourselves.

[Dhimitri] After almost 50 years of isolation, is transportation moving in relations with foreign countries?

[Bitincka] First, we signed agreements with the Scandinavian countries and "forgot about" the Balkans to which we belong. In order to put an end to this erroneous

practice, we talked with Bulgaria about the West-East corridor which is connected with the international highway program.

[Dhimitri] What highway did you talk about?

[Bitincka] It will run from Durres to Macedonia. We are in the the design phase and in the process of obtaining investments from the Italians and other firms. The construction will take four to five years because the investment project will amount to about \$600 million. The highway from Pogradec will have two branchings: one to Macedonia and the other to Kapshtice. We think that this part will be constructed together with the Greeks. We are working to sign agreements for highways with the governments of the Balkan countries. They include the railroad link with Macedonia which will be a

direct link and will connect by another route to the international system. On our side, 3 km of railroads will have to be constructed and in Macedonia, about 50 km.

As you know, a weekly bus connection between Sofia and Tirana has been established. Weekly or twice-weekly flights between Sofia and Tirana will begin in October. Also, there have been discussions with Macedonia about Skopje-Tirana, Ohrid-Pogradec, Bitola-Pogradec-Korce bus routes and about the possibility of establishing an Ohrid-Pogradec bus route and a Skopje-Tirana air route. We are also trying to conclude agreements for the transport of passengers with Romania, Yugoslavia, Hungary, and Italy, to put an end to this half century of isolation.

[Dhimitri] Thank you very much, Mr. Fatos.

**Finance Minister Kostov on Economy**  
92BA0055A Sofia *DEMOKRATSIYA* in Bulgarian  
4, 11 Oct 91

[Article in two installments by Ivan Kostov: "Attempt at Recapitulation"]

[4 Oct pp 1, 4]

[Text]

#### **Price Liberalization Brought to Light the Inflation Concealed Within the Deficit**

In the intoxication and hysteria of the electoral campaign passions, when the words of politicians are fired by the emotions of their supporters, and when society abandons reality, it is necessary also to hear the voice of cold reason, of the calm and responsible attitude toward the future of our economy, and the voice of the voters before the elections. I hope that in Bulgaria not everyone is playing politics with misfortune and difficulties, and there will also be honest discussions with the people.

Any economist knows that inflation may exist in its open (price) and hidden (deficit) aspects. The latter is a potential threat which can be surmounted only by increasing production with the same revenue. In our country this was impossible, for the previous governments had allowed a significant increase in income along with a drop in production. The more income in the past, in 1990 in particular, exceed production decline, the more the potential for inflation increased. It was this that led to a jump in the prices in February and March.

Price increases also intensified as a result of the inflationary expectations among producers and consumers of a several hundred percent increase, indecisiveness, and the fear that the former government would take the decisive step, something which was emphasized in all discussions with international financial institutions, which was a prerequisite for outside aid, and without which, obviously, nothing could be undertaken subsequently. That is why now it must be reminded that the money had been depreciated in advance both in terms of purchasing power on the consumer market as well as in savings. Someone had to sacrifice himself while that government was in power. For that reason we were being described as the "self-sacrificing government." That was the reason for which no political force, the BSDP [Bulgarian Social Democratic Party] for example, which showed "self-respect" and which was concerned about its future, was willing to join our cabinet, while the BSP [Bulgarian Socialist Party] which was part of it behaved, throughout that period as though it was nonexistent and had assumed no responsibility. This was the strategically winning step for the dormant and rapidly forgetting segment of Bulgarian society from which such parties are recruiting their supporters. The government made a mistake by yielding to the pressure of the trade unions and did not carry out price liberalization to the end, including fuel prices. This burdened the budget with

substantial expenditures and inevitably restarted the inflation in June and September. It became necessary to repeat the January agreements on compensation and wages once again in May under substantially more difficult conditions for reaching an agreement. It was at that point that the trap for any further confrontation and betrayed hopes was set.

Despite the errors and the opposition (let us recall the comparative tables published by Lukyanov-Popov in DUMA in the middle of January, and the provocative action which involved price increases for foodstuffs in the summer), after the initial explosion of the prices, which was 31.4 percent in February and March, consumer prices rose 27.5 percent, which proved that inflation was under control. The expectations of the monopoly companies and the speculators concerning any superinflation and the inability of the government to control the processes were not justified. The will of the consumers increasingly became decisive on the market. Gradually, but at an ever faster rate, a balance is being achieved between supply and demand.

The balance which we are leaving to the next government will be brittle and unstable. It will not make it possible to meet even one-hundredth of the electoral campaign promises which are being made today. Worse, any incautious step might result in a new inflationary explosion and in having the market drop into a deficit coma. Nonetheless, with a proper and firm monetary policy pursued over the next 10 to 12 months, inflation may be surmounted and no longer act as a direct threat to the economy. The initial successful steps in this direction have already been taken.

#### **The Firmest Restrictions Applied in Controlling the Monetary Mass**

The M2 monetary aggregate in leva increased by no more than 8 percent, while money in circulation increased by 17.4 percent in comparing July with last December, with a nominal increase of trade in excess of 50 percent. This significantly increased the speed of monetary circulation and converted the commodity hunger into a monetary hunger which, although unusual in our case, is both natural and necessary in a market economy. The shortage of goods is being replaced by a shortage of money shared by all economic subjects. This is healthy in terms of the economy.

The credit resource in leva increased by 19.2 percent and population funds in leva by 16.2 percent; population deposits in leva increased by the same percentage. Theoretically, whenever there is a drastic decline in population needs, savings deposits either remain on the same level or even decline. This was not noted in our country. According to bank statistics, there was an increase in leva deposits totaling 3.2 billion leva, with a slight decrease in the amount of deposits of 700 million leva. This is a particular phenomenon which questions the power of any real decrease in consumption, a question

voiced by Mr. Candesu, the executive director of the International Monetary Fund, in a letter to Mr. Krustyu Petkov.

Regardless of the outcome of this debate, it is obvious that two factors of importance to the market are operating. They are the particularly strong tendency displayed by the Bulgarian people to save, on which we should rely in the future as a powerful stabilizer, and the relative drop in the cash available to the population compared to the level of prices and trade, which limits additional demand. Obviously, some people have preferred to earn income from interest compared to purchasing goods on the market. These two factors further backed our efforts to stabilize the market.

The dynamics of the funds of companies is the same as that of the population. This resulted in a slight increase in their share of credit resources. Such funds are being quickly converted into deposits, similar to the savings deposits of the population. This restricts the liquidity of the firms and related demand.

The real increase in credit deposits is shown in the size of the increase of credit resources. The remarkable phenomena in this case are the following:

1. The increase takes place above all as a result of economic deposits.
2. The portion of the funds allowed for disposal by the budget remains steady.
3. Credits for private business have increased the fastest, and have more than quadrupled.
4. There has been a sharp decline in loans to the population, by 30-31 percent.

Except for that last process, the other three are favorable. The reduction of loans to the population is an indicator of excellent market behavior and is a new additional factor in reducing actual demand. Some borrowers have preferred to pay off their debts rather than purchase goods on the market. The success would have been greater if the Grand National Assembly had passed a stricter Law on Old Loans. Currently a certain segment of the population is repaying owed interest with the interest earned from the State Savings Bank or other commercial banks paid on its own deposits. These people preferred the riskier but so far winning option of depositing their cash rather than paying off their loans, which is to the detriment of the State Savings Bank and to all others who are expecting more advantageous loans.

The policy of the interest rate was entirely aimed at fighting inflation. With few exceptions, it is unquestionably yielding results. The main weakness was the combination between the strictly controlled interest on refinanced loans, credit ceilings, and substantial deviations among interest rates depending on the type of loan and deposits in commercial banks, and the established interest rate by the Bulgarian National Bank. The deviations themselves indicate a poorly controlled crediting

system and the fact that the commercial banks are not taking into consideration the signals given by the Bulgarian National Bank.

The second weakness was the relative increase in short-term credits, compared to investment credits. This does not promise a fast revival of the economy. This too is proof of an improperly functioning banking system.

The third common weakness is the growth of reciprocal debts and accounts receivable by companies, which could make the credit policy of the Bulgarian National Bank ineffective.

The strongly restrictive nature of the monetary and credit policy was, and remains, a basic factor in the struggle against inflation. Objections to such a policy are groundless for the following reasons:

The real depreciation of the debts of companies by a factor of about 4.5, as result of which all debtors benefited from the liberalization of the prices;

The acceptance by the state of 5 billion leva in company debts and the guarantee given by the government concerning loans difficult to collect by the companies;

Inflation, which allows an increase in company income sufficient to service the debt;

The absence of a real interest rate, which remained negative for the entire 1991.

#### **Decline and Stagnation of the Real Economy**

The decline and stagnation of the real economy are unquestionably owed to the breakdown of CEMA, the conversion to payments in convertible currency and the collapse of the Soviet Union, Bulgaria's main partner. This is seen in data on reciprocal trade. Such factors, which are largely difficult to forecast or refute, are the main reason for a drop in production.

The second group of factors is related to the losses we suffered as a result of the war in the Persian Gulf, due to refused or unpaid procurement, lost or destroyed property, and unpaid interest and loan repayments, mainly by Iraq. We were considered a country which was hostile to Iraq, although we did not take part in the fighting. At the same time, we were not invited to the "winners' table."

The third factor is the additional drop in domestic consumption caused by the lack of a negative balance of payments. Bulgaria can no longer import more while exporting less by about \$1.5 billion, which was the amount by which internal consumption was growing. Consumption dropped substantially according to the current exchange rate of the leva to the dollar by more than 27 billion leva. Many entities, including a segment of the population, who, obeying a reflex developed in the 1980's, are seeking and hoping for such an unearned consumption. Obviously, such consumption is unavailable now and will remain unavailable in the future.

Unquestionably, the production decline is also due to the chaos resulting from the destruction of the old economic structures; the confusion concerning the functioning, coordination and organization of the new structures; and delays in making the systemic changes in ownership. In this sense production decline is due to economic management and the parliament. Could we claim that on this level we should hold the present government responsible?

Naturally, we are guilty in the eyes of the communists-socialists for having completed the dismantling of the economic system they had been putting together for nearly half a century. That is why the best we could hope for, should they succeed in taking their revenge, would be for us to be tried in court. My personal expectations are more pessimistic.

Could the chaos resulting from the socialist economic system which was being dismantled under our very eyes have been postponed or avoided? The answer comes from the bitter experience of "perestroyka." The truth is that the system began to self-destruct because the young and active people were not motivated to work within it. They rejected it and will not tolerate it. The system itself broke down and the only solution was to develop a new system quickly.

Despite our entire gratitude and thanks to the adult population, we must tell it the following: you did all you could and you have accomplished a great deal. However, what you did was not sufficient to surmount the inevitable faults of the socialist economic order or, more accurately, its disorder. This is a doomed system. Let us build our own and our children's future and ensure your peaceful old age. We have no other way. We want to be normal Europeans and not the prisoners of your "choice, besieged within the socialist camp."

Could management mistakes have been avoided?

There are some who claim that they could have made better managers. That may be so but when the question of "who will stand on the bridge during the worst economic storm" was being asked, these people either hid or were not politically trusted.

During the period of the coalition government, the state administration was no longer supervised by the Bulgarian Socialist Party and developed the creative initial steps for the reform. In our view, the state administration works better than it did during the periods of even the best of the communist administrations. All we gave to those people was the spirit they lacked, for they had plentiful professionalism. That is why the claim that the errors made by our government are fatal or that they could have been avoided by another "more skillful" leadership is not serious.

[11 Oct pp 1, 6]

[Text] The market has begun to take shape with a great deal of stress and in an aggressive monetary and credit

environment. The elements of a capital and currency markets are already visible; indications of a labor and a securities market have begun to appear. Let us note that the most difficult stage in the shaping of market areas is behind us. Grounds for such a conclusion are provided by the total dismantling of the centralized planning-administrative system which controlled and allocated all resources, including raw materials, materials, labor, financial and foreign exchange.

The "planning balances," with which, essentially, the system based on the "principles of socialism" for the administrative management of the economy in the past operated, have not been drawn up starting with 1991, thus marking the end of this system. The system was replaced by markets for machines, raw materials and materials. Their institutions—exchanges and auctions—were created.

Another reason is that of the strongly reduced centralized investment activities. It is thus that the relative share of state investments in the total investments made in the country declined, particularly against the background of the increased investments by the population in small commercial and other projects. It is thus that the influence of the center of the market for investment goods was limited. The greatest weakness of the activities conducted so far was putting an end to minor privatization and the failure to pass the Law on Privatization.

This has had substantial adverse consequences.

The limited nature of operations on the capitals market did not draw a sufficient number of solvent demand and did not facilitate the consumer market. The economic subjects were not encouraged to make strategic investments, but were oriented above all toward fast profits from turnover. It is thus that the delayed changes in the system, particularly in the areas of minor and major privatization, undermined our efforts to achieve a stable market balance. The conclusion may be drawn that the elements of the capital market are insufficient for laying a firm foundation, for no legal base was created for the normal turnover and reproduction of capital, although the state-administrative obstacles to this effect were eliminated.

Nonetheless, the Bulgarian economy began to function on the basis of market principles. This can be seen particularly clearly in the area of credit and monetary relations. The passing of the Law on the Bulgarian National Bank resulted in founding an independently acting institution. It is thus that control over money and credit was no longer in the hands of the government. This made it possible to strengthen the initial elements of the capital market and provided our country with the possibility, without any higher permission or connection, to purchase raw and other materials needed by industry, transportation, and trade and services.

The state does not interfere in price setting at commodity exchanges and in trade, as well as in the various

other forms of purchases and sales. Such prices are set freely, with the exception of the floating prices of fuels and the fixed prices of electric power, coal, and thermal power. The opening of a labor exchange proved to be most difficult and painful. It was started with the signing of the trilateral agreement on the preservation of social peace. The stages through which the process has gone so far were the following:

1. Ending the effect of the old centralized system for regulating employment and income.
2. Reaching an agreement with the trade unions on compensations added to the salary, pensions, and other income, in order to absorb the shock of price liberalization.
3. It is only recently that documents were adopted creating conditions for free wage contracting. The state retained only the right to set the minimal wage for state employees.
4. Since last summer, a labor exchange has been functioning and is increasingly acquiring the elements of a labor market. From the very start of the year, this system was based on a system for regulating unemployment through the professional skill and rechanneling fund, according to which the companies withhold 5 percent of their wages. These funds are used for the retraining of unemployed and for unemployment compensation payments.

It must be admitted that the labor market is still not properly functioning. This is confirmed by the fact that it is not influencing the productivity, intensiveness and quality of labor of those employed. Competition for jobs is not being felt as yet although this is the foundation for improving labor efficiency and labor income. On two occasions, the government has made major concessions to the trade unions and agreed to substantial revisions of wages, in the form of compensation and updating, the consequence of which was to increase the income of those employed without an increase in their output.

The greatest weakness is the lack of a market for land. The reasons for this are unquestionably the Law on Farmland which was passed by the Grand National Assembly.

The law made major concessions to the socialist structures, such as the cooperative farms and, to the detriment of owners. It hinders the free sale of the land returned to them. That is not the way to establish a market for land.

Nothing good can be said about the securities market. Here it is the state that functions above all, with the sale of bonds and quarterly treasury notes. The promotion of securities by stock holding companies is still poorly developed. This is explainable with the insufficient development of the basic markets, the markets for capital and labor invested in consumer goods.

The creation of a currency market is a major success achieved through our efforts. In this case the dismantling of the old system and the development of a new one took place almost simultaneously with the introduction of a very liberal foreign currency system for the companies. From the very start of the year they have been able to make use of the currency earned from exports in three areas: for imports, for creation of currency deposits, and sales paid for in Bulgarian leva.

A major feature of the Bulgarian reform is that it introduced a floating foreign currency rate rather than a stable one, due to the lack of adequate foreign currency reserves. Although floating, this course proved to be a stabilizer in the monetary circulation and in prices, as a result of the stability which it has shown since April. The currency market was established while the national currency was strongly devalued in terms of the dollar and the other convertible currencies. In this area our expectations were refuted. The degree of devaluation surprised us. The drastic lowering of the foreign currency rate of the leva placed importers under very adverse conditions, for the prices of imported goods rose by several hundred percent. This led to major savings and restrictions and reductions in the import-capacity of our industry. On the other hand, the devalued rates greatly encouraged exports, for the foreign exchange system did not include the requirement of mandatory sale of currencies at rates established by the state. The entire currency thus acquired remains at the disposal of the exporter, which creates a powerful incentive for his activities.

As a result of these two factors, for the first time, the possibility becomes apparent of obtaining a positive foreign trade balance by the end of the year. The rate is fluctuating in the vicinity of 18-18.5 leva to the U.S. dollar. The volume of the market is increasing and, for the time being, it offers a stable place for purchasing and selling. At the beginning the turnover was about \$2-3 million daily; currently it is in excess of \$10 million. All of this has stabilized the foreign currency market itself, which is coping more easily with any inflationary expectations.

At the beginning of the year it was believed that maintaining a stable monetary rate of exchange would be impossible. Many experts did not realize that this meant the collapse of the anti-inflationary policy of the government. We can now say the opposite, that the stable foreign exchange market is proof of the successful anti-inflationary policy. Under the conditions of a relatively stable foreign exchange rate, two positive trends are gradually becoming apparent:

1. Since April, the inflationary price increases are gradually reducing the purchasing power of the Bulgarian leva without changing its ratio with foreign currencies. In other words, gradually the Bulgarian leva is bringing its purchasing power closer to its rate of exchange.

2. Since April, there has been a process of increased internal income and average wages. Under the conditions of a steady foreign exchange rate, this means a relative increase in income measured in convertible currencies.

The foreign currency market made it possible to liberalize the foreign trade mechanism. The command-permit system for foreign trade was totally abandoned. Gradually operations in transferable rubles were stopped and customs fees and taxes were eliminated, limited or reduced. Such actions were not sufficient for a restructuring and for preventing the decline in foreign trade. The main reason for this was the reduced trade with our main partner, the Soviet Union. Such trade is based on clearing accounts, which is a primitive market form, the more so since on the insistence of the Soviet side the servicing of clearing account operations must be guaranteed by the two countries. In our country such operations took place until the beginning of August and were budget financed. This created a dangerous precedent for exporters to demand of the state the leva equivalent of their imports while importers would pay the state for the imports.

At the beginning of the year the International Monetary Fund did not allow the use of a discount in the rate of clearing dollars in trade with the Soviet Union, which we had motivated with the lack of a sufficient amount of high quality goods on that market and the entirely different price and other conditions. A market determination of the discount in the rate of clearing dollars would have made it possible to stimulate imports from the Soviet Union. Unfortunately, so far this has not taken place. In the middle of the year there was an equalization in our reciprocal balance of trade, after which Bulgarian exports developed much faster. This process is due to the two mechanisms used in Bulgaria and the Soviet Union in foreign trade operations. In Bulgaria, the high rate of exchange of the clearing dollar stimulates exporters and blocks importers, for imports from the Soviet Union are becoming uncompetitive on the domestic market, whereas in the Soviet Union the low rate of the clearing dollar makes exports unattractive to Soviet enterprises and, on the other hand, greatly increases the competitiveness of Bulgarian imports.

An increasingly positive balance of trade for Bulgaria was developing, which had to be financed by the state budget or, in other words, the inability on the part of the Soviet side to fulfill its obligations in the clearing operations made it necessary for Bulgaria to extend credits to the Soviet consumers although the conditions under which the country itself operated were extremely harsh.

The loans received from the West were exported to the Soviet Union. Although we ourselves were having grave problems in terms of satisfying our domestic market, we were forced to help the Soviet market by extending large commercial credits. This year alone, such credits are close to 400 million transferable rubles and, so far, in excess of \$250 million clearing dollars. Obviously, the

further direct crediting of the Soviet Union from the state budget was impossible. The only possible way was to introduce a market rating for clearing dollars so that the gap in foreign trade be credited by the exporters themselves.

The most difficult problem concerning the further advance toward a market economy is that of our commercial relations with the Soviet Union. It is this that makes me sound the alarm.

#### Podkrepa Leader on Future of Trade Unions

92BA0058A Sofia PODKREPA in Bulgarian 14 Oct 91  
pp 1, 4

[Interview with Dr. Konstantin Trenchev, president of the Podkrepa Labor Confederation, by Sevda Dinovska; place and date not given: "I Am Tired of Convincing the People That Their Freedom Depends on Themselves"]

[Text] [Dinovska] Mr. Trenchev, what should be the nature of the trade union movement in Bulgaria? Would it be based on the fundamental principles which are not a rejection of the familiar totalitarian forms but a streamlined system of management, protection, and behavior?

[Trenchev] Look, Podkrepa has two basic features: protection and control. There always exist interests in society, which should be balanced out. Such interests are expressed by the various groups. In any society there is a trend toward the rapprochement and merger of capitalism with the executive branch. The trade union is the structure that prevents this from happening. In this sense as well, we should learn from international trade unionism. However, we are operating under conditions that are not typical of normal trade unionism, for we are still a country in a transitional stage from pathology to regularity, which emphasizes some specific aspects of trade union activities. For example, it is paradoxical that the trade unions must help in the development of employers who, in practice, are the opponents of trade unions! However, the balance needed for the proper functioning of the economy is found precisely in this type of partnership, in some cases, and confrontation, in other. The overall structure cannot function if one of the sides is missing.

The trade union movement in Bulgaria has also another task: to help in the development of its political partners, for problems cannot be resolved exclusively by trade union means. They require political means as well. If one such means is absent, or is very weak, once again the balance is disturbed. We want to have strong political partners, stable partners, with whom we could work. Otherwise we become forced to assume some of their own commitments, which hinders our trade union activities and is undesirable for us. Yet we are forced to do it, because we are responsible for the fate of this country and we cannot allow the creation of a vacuum.

Bulgarian trade unionism will encounter many more difficulties until it is able to train its cadres which cannot "drop down from the sky," but must be selected. This process involves a great deal of difficulties. Bulgarian trade unionism could not avoid the impact of the destructive force of the old system, for one cannot create something new without eliminating the old. There had to be forces able to dismantle these old and totally inefficient structures which had to be destroyed, dismantled, and removed.

[Dinovska] What type of government and what type of trade unions does Bulgaria need?

[Trenchev] Our country needs a government with a sense of responsibility, a government in which public commitment prevails over professional interests, for it is no secret that the people in the government are much more interested in securing their personal prosperity. Naturally, the situation is very difficult and the problems are tremendous! However, the difficulties these people are experiencing should made public, for in that case the people will trust the rulers, realizing that they are doing everything possible to solve their problems. That is the purpose for which they came to power, for to be a leader means to know the right way and to lead the people down that way. Regardless of how long one has been in power, one must be responsible to those one is leading. In this respect the trade unions are the structures which constantly remind the managers of their obligations.

[Dinovska] Do you have any personal accounts to settle?

[Trenchev] It is unquestionable that in his relations within society man also develops relations which may later be qualified as personal matters. The question is the extent to which they assume priority in the case of an individual and the extent to which it is emotions that set the priorities. I believe that for quite some time I have been a person able to control his emotions. Nonetheless, I would like for some things from the past to be resolved such as, for instance, the case being tried in court about our detention in the summer of 1989. At that time, we were kept isolated for four months without any explanations whatsoever and without any charges filed against us. A number of things happened in the course of this isolation about which we would like to know the responsibility of some people. I am referring to the following:

1. We were tortured because of the hunger strike that we had proclaimed, and, personally, I can tell you that I was on a hunger strike for 34 days; as of the 18th day I was made to eat; after the 30th I was force-fed. This was very painful and was not to the honor of the physicians who did it or were forced to do this on instructions "from above."

2. The investigator of the Main Investigations Administration kept insisting that I leave the country and threatened me with contamination with AIDS, through the various systems which were administered to me in the course of the hunger strike. He said something like, "It would be no problem at all to add a couple of drops of

blood and to throw you abroad, and then you cope as best you can." The name of this person is Petur Nikolov, an investigator with the Main Investigations Administration; occasionally, Petur Velichkov came along. I kept such things to myself, for some of my friends are quite emotional and may have overreacted. Nonetheless, I want these people to be answerable, for which reason we have taken them to court. This was not a personal account to be settled. This was a means applied to destroy the organization and not simply to destroy me personally, for which reason I am forced to react as I do. These people were behind the expulsion of my wife, who too must settle her personal accounts with them. I cannot say that I have any other personal accounts to settle, accounts which do not involve the organization. I have experienced many things in this life but personally, I am guided by the wisdoms of the Good Book, which clearly states that, according to Christ, "Judge not, that ye be not judged. For with what judgment ye judge, ye shall be judged: and with what measure ye mete, it shall be measured to you again." If people are aware of this, a great deal of things will be resolved. We are too small to be able to judge in this world. I am convinced that there will always be retribution. Elsewhere in the Book it says: "Do unto others as you would have them do unto you."

[Dinovska] Do you see yourself in the role of a politician, after the elections?

[Trenchev] It would be difficult to define what is a politician. I would use a broader concept: a public figure. This is because the term trade unionist is also rather limited. Naturally, I shall continue with my activities which are quite influential, for the organization is one of the few in this country which has real power. We shall apply this power in such a way as to be consistent with our objectives. The objectives are profoundly humane and our program is open to all. I can already say that I will not be a candidate for deputy in the next elections, for I believe that trade unionism must be respected, and becoming a candidate would mean sliding downward. In my state I can play only one role and there simply is no one who is my superior. I do not wish to be a member of a party and, consequently, there is only one place in which I can be.

[Dinovska] Will you be a candidate for that place?

[Trenchev] There are certain legal limitations quite deliberately imposed with the Bulgarian Constitution, and which are quite pitiful and ridiculous. In the West our Constitution was subject to a great deal of ridicule, especially about such limitations, for they are simply stupid. One of them is that a person who has not lived for the past five years in Bulgaria may not be a candidate for the Presidency. Let me tell you that many such people are quite worthy of being president, and one among them may have the quality needed to become president. The purpose of this restriction is to block only one individual, the tsar. However, this discriminates against many people and this is not to the honor of a democracy. The second is the age limitation, which affects me. For

another three years I have no right to be a candidate, but nor am I all that keen on being a candidate. However, the people in the West kept laughing, saying "why was it not clearly stipulated in the Constitution that Simeon II and K. Trenchev may not be candidates, and thus solve the matter and not twist around things in such a way as to discriminate against a large number of people." Looked at differently, it means that people who are now under 40 will "pull Bulgaria out," and experience tremendous difficulties. They have a certain amount of experience but also have enough energy to move things forward. Those who survived the totalitarian period have lost a great deal of strength and stamina.

[Dinovska] Is it true that you have said that if the BSP [Bulgarian Socialist Party] wins the elections you will emigrate to the West?

[Trenchev] I am tired of convincing the people that it depends on them to be free. I am terribly hurt that they are unable to understand this. If our people prefer slavery, i.e., the BSP, instead of freedom, which cannot be traded for a kilogram of sugar or a bottle of cooking oil, there is simply nothing else for me to do and I will literally believe that all my efforts for all that time (since 1988) have been futile.

[Dinovska] Projection for the period after the elections. Do you believe that the new National Assembly will last its full four-year term or that there will be elections ahead of time?

[Trenchev] I believe that it will not last, for the processes are very dynamic and many things are changing. The duration of this National Assembly will depend on the responsibility of the people in it. This is an exceptionally great responsibility, and if they work exclusively on solving the problems of the country, the National Assembly will last longer. If they continue to be the slaves of their personal interests, which will be the case for many of them, this will become a source of tremendous internal stress and scandals, and that particular

National Assembly will quickly exhaust its credit of trust which was voted to it. Therefore, all depends on the deputies themselves. I think, however, that four years is too long a time.

[Dinovska] However, the parliament will include people familiar to us and with whose work in the Grand National Assembly we are familiar.

[Trenchev] Some matters in Bulgarian political life developed in a special way. The so-called syndrome of irreplaceability appeared. People who, for one reason or another, became involved in politics are continuing to hold on to it, tooth and nail. Most of them believe that this will be for them a good way for acquiring personal benefits. However, I see this in all political groups. The very same people always want to be part of the leadership, to rule, and this has been, to a large extent, the reason for the alienation of the people from political life and for a permanence of cadres dealing in politics who, as you pointed out, proved their inefficiency.

[Dinovska] Will you recognize the elections?

[Trenchev] We have our own center for parallel vote counting. We wish to process the data and it is on this basis that we shall determine whether the elections were honest. If there are violations we shall, naturally, react, for we want the people to be ruled by the individuals they have elected. Let me use one example from the Book: "When the travelers asked the wise man 'is the city far?' he answered: 'Keep going!'"

#### National Representatives From DPS Listed

92P20037A Sofia PRAVA I SVOBODI in Bulgarian  
25 Oct 91 p 6

[Unattributed report: "National Representatives From Movement for Rights and Freedoms, DPS"]

[Text]

	Name	Electoral District	Biographic Data
1	Svilen Ognyanov Kapsuzov	1. Blagoevgrad	Born on 13 August 1941 in Burevo, Smolyan District; higher education in philology; author of two poetry books
2	Arif Mustakli	1. Blagoevgrad	—
3	Ibrahim Tosun Tatarli	2. Burgas	Born in 1923 in Nikopol, Lovech region; studied law at Kliment Ohridski University in Sofia; specialist in Turkish literature and culture; worked for many years as a journalist; has taught history of Turkish literature and culture at Sofia University for more than 20 years
4	Neva Sokolova Khadzhimateva	2. Burgas	—
5	Suavi Basri Haci	3. Varna	—
6	Ilhan Veli Mustafa	8. Dobrich	Born on 24 September 1961 in Telerig, Dobrich region; educated at the VPI [Higher Pedagogical Institute] in Shumen; specialist in biology and chemistry; married
7	Ahmed Demir Dogar	9. Kurdzhali	Born in 1954 in Drundar, Varna region; studied philosophy at Kliment Ohridski University in Sofia; candidate of philosophy
8	Remzi Durmus Osman	9. Kurdzhali	Born on 12 February 1964 in Kurdzhali; studied at a teachers institute; unmarried

	Name	Electoral District	Biographic Data
9	Hasan Ali Hasan	9. Kurdzhali	Born on 3 March 1942 in Postnik, Kurdzhali region; studied at a teachers institute; married, father of two children
10	Mehmed Osman Hoca	9. Kurdzhali	Born on 6 March 1948 in Kandilka, Kurdzhali region; studied philosophy at Sofia University; married and has two children
11	Huseyin Ahmed Karamolla	9. Kurdzhali	Born on 28 January 1952 in Veslets, Kurdzhali region; studied at a teachers institute; married and has two children
12	Bahri Receb Omer	9. Kurdzhali	Born on 8 May 1956 in Paprat, Khaskovo region; studied at a teachers institute in Kurdzhali; married and has two children
13	Emil Georgiev Buchkov	17. Plovdiv region	—
14	Kadir Celil Kadir	18. Razgrad	Born on 5 October 1940 in Zavet, Razgrad region; has a higher education in law
15	Serife Ismail Mustafa	18. Razgrad	Born on 26 October 1948 in Anevo, Plovdiv region; has a higher education in philology, specializing in Bulgarian and Turkish philology; deputy chairman of the TsS [Central Council] of the Movement for Rights and Freedoms
16	Ziya Osman Disli	18. Razgrad	Born in Ezerche, Razgrad region; studied at the Higher Agricultural Institute in Plovdiv
17	Evgeni Kirilov Matinchev	19. Ruse	Born in Sofia on 20 August 1939; higher education in economics, international economic relations, and computer sciences; has written more than 50 scientific studies, both monographs and in collaboration with colleagues in the areas of administration, economic and social policy, and investments
18	Osman Ahmed Oktay	20. Siliстра	Born on 29 August 1950; studied at a specialized medical institute; has two children
19	Ismail Mehmed Ismail	20. Siliстра	49 years old; higher education in law
20	Unal Said Lutfiev	28. Turgovishte	Born on 8 April 1944; specialized in Oriental studies at Kliment Ohridski University in Sofia; married and has two children
21	Vedat Ahmed Sakalli	28. Turgovishte	Born on 2 June 1962 in Dulovo; studied at VMI [Higher Medical Institute] in Sofia
22	Kiymet Osman	29. Khaskovo	Born in 1959 in Boyan Botevo, Khaskovo region; studied at a teachers institute; married and has a child
23	Ivan Kirilov Palchev	30. Shumen	49 years old, higher education in philology
24	Dimitur Angelov Sepetliev	30. Shumen	Born on 21 August 1929 in Sofia; professor at a medical academy; author of 20 books and more than 300 articles about medical statistics, demography, and social development

**PHARE To Help Transition to Market Economy**

*92CH0007C Prague HOSPODARSKE NOVINY  
in Czech 19 Sep 91 p 4*

[Article by Ladislav Trakal, Federal Ministry of Economics: "PHARE Means Assistance"—first paragraph is HOSPODARSKE NOVINY introduction]

[Text] The acronym PHARE [expansion not given] often appears in connection with the foreign assistance that we are accepting; few, however, know what it exactly means. We asked Eng. Ladislav Trkal of the Federal Ministry of Economics, Center for Coordinating Foreign Assistance, to give us an explanation.

The basic objective of assistance within the framework of PHARE is to support the process of transforming a centrally controlled economy into a market economy. Main emphasis is placed on supporting the development of those mechanisms that ensure this transformation and are, together with the development of democracy, a guarantee of a stable growth.

Given the limited financial means of the fund (for 1991, altogether ECU 100 million), the point is not so much to help resolve basic macroeconomic disproportions, but rather to make some contribution to individual sectors. At the same time, however, the fund's support is directed toward structural changes of the entire production and distribution system. Assistance in these areas is given in the form of so-called technical assistance, which includes studies, expert services, organization of seminars, and training, but also the financing of necessary material supplies within the framework of a given project. As an exception, PHARE resources can be provided for initial capitalization. Other spheres of presumed assistance are the environment, power industry, telecommunications, education, infrastructure, and health care.

Specific Czechoslovak projects in the above mentioned areas are ready now to be proposed for financing from the PHARE fund. For some of them, particularly those which were worked out in 1990, financing has already been secured. The final decision, however, will be made by the EC Commission.

Coordination of the assistance from the PHARE fund in the CSFR has been delegated to the Federal Ministry of Economics, Center for Coordinating Foreign Assistance [CZP]. A crucial role is played by coordinators in the individual areas of cooperation (sectors), who are named by the CSFR Government or a commission of the three governments.

**Procedures**

The basic procedure for approving projects for the PHARE fund is as follows:

1. Working out a proposal for the project according to the criteria of the program.

2. Submitting the proposal through the agency of the guarantor to the CZP which will pass it on to the EC Commission for comment, the proposal having to meet the basic criteria of the PHARE program.

3. Arrival of an EC Commission delegation for detailed discussions and clarification of the project proposal with its compiler (presenter).

4. Preparation of a detailed project proposal.

5. Signing of the financial memorandum for the given sector.

6. Working out a detailed 6-month work program for the realization of the project, and submitting it to the EC Commission.

7. Release of funds by the EC Commission on the basis of the approved work program in the form of an advance payment to an account in the Czechoslovak State Bank.

8. Announcing bids for the realization of the project and organization of other startup work.

9. Selecting the most appropriate firm for the realization of the project on the basis of the Commission's evaluation of the bids.

10. Signing a contract with the selected firm and realization of the project.

This procedure is very time-consuming and last year's experiences show that it takes about one year from the first proposal of the project to the actual start of its realization. But the procedure is dictated by the basic rules of the EC Commission, and it can be simplified only in less costly small projects (up to ECU 50,000). This protracted procedure also explains why, with some small exceptions, practically no funds have been drawn from the PHARE program thus far.

**Regional Cooperation**

The EC Commission has drawn up rules, according to which it is possible to plan and submit regional projects for financing. In 1991, altogether ECU 90 million has been earmarked for this purpose for all participating countries. The main emphasis is on the development of regional strategies in these areas: telecommunications, transportation, power industry, and environment. Included in this regional fund is also a program for the support of joint ventures, as well as others such as the TEMPUS program, resolution of the customs problems, normalization, and statistics. Proposals can also be made for projects from any other sphere that has impact on the economic reform process. But the basic condition is that the projects must be worked out jointly by at least three countries which will be given this assistance. For this year, the total amount has been already distributed among the selected areas, where most consideration is given to the assistance of Joint Ventures, program TEMPUS, environment, and nuclear safety.

**Program Joint Ventures**

For assisting the newly developing private sector, small and medium enterprises, the EC Commission in Brussels established the program Joint Ventures (JV). The goal of this program is to initiate the formation and further development of joint ventures with firms from EC countries. The goal is to promote an influx of foreign investments to CSFR and expand economic cooperation.

The program has four parts:

1. Assistance in searching out investment opportunities and local partners. A maximum of 10 percent of the total allocated sum can be used.
2. Financing the preparatory phases of establishing JVs (feasibility study, pilot and demonstration projects, etc.)

can be ensured by a interest-free loan payable under prevailing conditions up to 50 percent of costs (maximum ECU 75,000). If the JV is successfully established, the loan need not be repaid, the EC Commission will allocate another 50 percent of the loan, and the entire loan up to the value of ECU 150,000 will become a gift.

3. A mid-term and long-term financial contribution to an already established JV or one that is undergoing renovation or expansion. This would be a loan of up to 20 percent of the total capital needed, up to the nominal value of ECU 1 million, but under certain conditions; for example, a West European partner must own a significant portion of the JV capital, and the like.
4. Interest-free loans up to 50 percent of costs for education, technological assistance, and transfer of know-how up to the value of ECU 150,000.

**PHARE Programs 1991—Coordinators of Individual Sectors**

Sector	Coordinator	Contact	Tel. No.
1. Restructuring of state enterprises	Federal Ministry of Economics	Eng. Jaroslav Koubal	38 92 795
Including privatization	Czech Ministry of Privatization	Dr. Charles Jelinek	23 64 537
	Slovak Ministry of Privatization	Eng. Vladimir Halama	07 23 08 24
2. Development of small and medium enterprises	Federal Ministry of Labor and Welfare	Eng. Marie Stribrna	21 18 25 61
3. Restructuring of Labor Market	Federal Ministry of Labor and Welfare	Dr. Miroslava Kopicova	21 18 27 57
4. Environment	Federal Environmental Commission	Eng. Jaroslav Prokop	21 52 150
5. Power Industry	Federal Ministry of Economics	Eng. Vaclav Simunek	38 92 190
6. Communications	Federal Ministry of Communications	Eng. Ivan Prokopik	23 23 924
7. TEMPUS-University Education	Czech Ministry of Education	Dr. Zdenek Koncelik	53 03 51
	Slovak Ministry of Education	Eng. Marta Simkova	49 77 31
8. Foreign Trade	Federal Ministry of Foreign Trade	Eng. Peter Palecek	21 26 23 64
9. Norms	Federal Normalization Office	Eng. Horakova	23 65 734
10. Statistics	Federal Statistical Office	Eng. Zdenek Vesely	68 45 459
11. Development of Financial Services	Czechoslovak State Bank	Eng. Petr Prochazka	23 91 37 45
	Federal Ministry of Finance	Jiri Vetrovsky	51 42 104
12. Transportation	Federal Ministry of Transportation	Antonin Peltram	28 91 32 05
13. Health Care	Czech Ministry of Health	Dr. Katerina Ciharova	29 47 66
	Slovak Ministry of Health	Eng. Jiri Chochol	571 16
14. Local Administration	CSFR Town and Village Council	Dr. Miroslav Hettes	07 49 79 29
15. Science and Technology	Board of Czech, Slovak Ministries of Education, Czechoslovak, Slovak Academies of Sciences	Dr. Peter Pechan	53 12 67
16. Social Policy	Federal Ministry of Labor	Dr. Miroslava Kopicova	21 18 27 57
17. Regional Cooperation	Czechoslovak Academy of Sciences Economic Institute	Eng. Jan Klacek	26 87 15

## Talks on Constitutional Court's Power Flounder

### Coalition Parties' Absence

92CH0039A Budapest MAGYAR HIRLAP  
in Hungarian 21 Sep 91 pp 1, 3

[Article by J.B. including interview with members of parliament Istvan Fodor, independent, and Pal Vastagh, Hungarian Socialist Party; place and date not given: "Constitutional Court Judges' Difficult Case: Government Parties Again Abstain"]

[Text] For the second time, representatives of the government coalition did not turn up for discussions of the draft bill that seals the fate of the Constitutional Court. Outcome of the talks: In all likelihood, a revision of the law concerning the Constitutional Court will come before parliament next spring.

The law concerning the Constitutional Court and the revised draft bill regulating the judiciary's order of business should have come up yesterday morning at the meeting to which the highest court officials had invited the parliamentary parties' factional leaders for a consultation. For quite some time the Constitutional Court has been forced to deal with its own legal situation. After all, in light of experiences during the past term, self-determination is essential for excluding the political manipulation that could possibly degrade the court into a merely political instrument.

Thus the practical questions, such as constitutional moratorium or judicial review before the fact, that define the principle of power distribution formed the topic of conversation. Appointment of the so-called ombudsman, a parliamentary delegate for civil rights, served as the key issue. After all, this functionary can exempt the Constitutional Court from having to review the series of private petitions, more than 3,000 of which arrived during the last year and a half alone. The judiciary is simply unable to cope with such an enormous volume of documents, and this is why the Constitutional Court itself suggested discussion of the foregoing issues as soon as possible.

The Constitutional Court judges must have been disappointed, however, because for the second time representatives of the government parties were absent from the ominous event—even though leading parties of the government coalition itself proposed the talks in May. So we were able to ask only Istvan Fodor, representative of the independents, and Pal Vastagh, MSZP [Hungarian Socialist Party] pundit, about developments.

[Fodor] According to the law concerning the Constitutional Court, the Constitutional Court prepares its own order of business and submits it to parliament. To this the Constitutional Court added its recommendation—on the basis of experiences thus far—for revising the law dealing with the Constitutional Court. Parliamentary factions received the materials, and representatives of the parliamentary groups discussed the package within

the framework of preliminary consultation. The idea of making a decision as soon as possible received special emphasis. On this an agreement was reached: The Constitutional Court's chairman will send his comments to parliament's Constitutional Committee chairman and convene the ad hoc committee that is qualified to prepare a presentation for parliament....

Unfortunately, we were unable to say anything hopeful to the Constitutional Court judges about speediness: It is unlikely the foregoing will occur this year, because we are up to our necks with current laws, budget preparation, and administration of public revenue. We are presently preoccupied with economic laws, but maybe an opportunity will open up to discuss this law next spring.

[Vastagh] This is our second discussion—we reached a preliminary agreement two weeks ago—yet the talks can be called fairly exclusive, because the government coalition parties did not even participate in the first discussion. Those present actually saw eye to eye on the issues raised but were too few in number to enact a genuine law.

Incidentally, it is necessary to restrict the Constitutional Court's scope of authority in order for the court to fulfill its actual function. Thus judicial review before and after the fact—the specific opportunities—must be limited. The deluge of irrelevant and, in many cases, groundless issues is to be avoided.

In any event, it is very difficult to deal with all this, because the institutional system of legal remedy must be coherent, harmonious, interwoven.... The government coalition's absence is extremely regrettable. After all, it only hinders our work, which, by the way, the coalition proposed!

### Faction Leader's Walkout

92CH0039B Budapest NEPSZABADSAG in Hungarian  
21 Sep 91 pp 1, 4

[Article by Gy.A.F.: "Konya Scandal at Constitutional Court"]

[Text] Our newspaper has learned that on Friday the Constitutional Court, to which Chairman Laszlo Solyom invited representatives of the parliamentary party factions, was the stage of scandalous scenes. At the meeting, judges and members of parliament exchanged views on scope of authority and jurisdiction and on still unformulated statutes pertaining to the Constitutional Court.

In the company of several members of the judiciary, Dr. Gabor Halmai, a Constitutional Court colleague, also took part in the meeting. However, Dr. Imre Konya, leader of the Hungarian Democratic Forum [MDF] faction, objected to Halmai's presence and asked the Constitutional Court chairman to send Halmai out of the room immediately. Konya argued that Halmai had recently signed a Glasnost Club statement in which the club accused the government coalition of violating the

Constitution. Laszlo Solyom did not carry out Konya's demand. He pointed out to Konya that if there was a Hungarian building within whose walls there was no room for political skirmishes, the Constitutional Court chamber was not such a place. Hearing this, Dr. Konya stood up and left the room. He was soon followed by Smallholder Party representative Istvan Borocz. But the latter left behind the party's legal expert.

Everyone viewed what had happened without knowing what to do. One of the representatives—by that time there were only opposition members of parliament in the room—said how disturbed he was by Konya's behavior, by Konya's attempt to issue orders to one of the highest judicial dignitaries, the chairman of the Constitutional Court. Gabor Halmi did not wish to comment on what had happened.

#### **Emigres Lament Government's Neglect, Hypocrisy**

*92CH0061B Budapest KAPU in Hungarian No 9  
Sep 91 pp 62-63*

[Article by Gyorgy Stirling, Hungarian emigre living in the United States: "Strange Explanation"]

[Text] "Precisely because of the necessarily extended stay abroad, because of insufficient knowledge of conditions in Hungary—and also because despite all their sympathetic feelings, Hungarians in Hungary harbor a certain feeling vis-a-vis those who departed for the West, i.e., while they suffered at home, those who had left lived under much better circumstances—in other words, for all these reasons it is not possible for emigres abroad to play a large-scale, visibly active role. We should add to this that it took four decades before the system had changed; those who emigrated in those days are no longer young, i.e., there hardly are any prominent emigrants at the height of their strength and aware of their experiences."

I am ashamed to say that these words were uttered by Hungarian diplomat Geza Jeszenszky, the first man of Hungarian diplomacy, in the course of an interview responding to the following question raised by a journalist: Beyond well-sounding platitudes to the effect that we must work together for the common goal, that the country is counting on the support (mainly the money) of Hungarians in the West, and that the government highly values the work of emigrants, etc., is it the intent of the government to take advantage of the involvement of former emigrants? One hesitates whether to cry or to laugh over the arguments used by the Hungarian foreign minister to reject even the idea of taking advantage of the involvement of former Hungarian emigrants. One is simply baffled to hear such statements from politicians in responsible positions!

Those who have emigrated have only been hurt and disappointed thus far. As a result of the above statement, they also are offended now. And the emigrants expect Geza Jeszenszky to correct his statement, at least by providing an explanation as to why he felt that way.

Even those Hungarians in the homeland who seldom read Western Hungarian newspapers will understand why Hungarians in the West—and among them, the most politically oriented segment, the Hungarian emigration in America—feel hurt and disappointed. But word concerning such feelings spreads fast; everyone has relatives or acquaintances in the West who would tell about these feelings. And if not, a few Western emigrant newspapers reach the homeland by now, and Hungarians in the homeland may learn from the Munich-based NEMZETOR, the BECSI NAPLO [from Vienna], the South American MAGYAR HIRLAP, and the Australian MAGYAR ELET that Hungarian emigrants are uniformly aggrieved because in the aftermath of the so highly desired system change the new government does not even want to hear of emigrants and the work they performed over a period of 30 to 40 years for real liberation. Instead, it looks over their heads. Emigrants had been persecuted during the previous communist regime; today it would be appropriate to say that they are disregarded.

We were unable to figure out the reasons for this attitude for quite some time. We only guessed: Could this have been caused by our "running away" from difficulties, could it be a result of communist brainwashing as a result of which they regarded all of us as Arrow Cross people, could it be because they did not want to see people with no skeletons in their closets, for they themselves became soiled during the past decades, or due to jealousy regarding their positions, or an inferiority complex about our superior knowledge?.... We analyzed all possibilities, but none appeared to provide a satisfactory answer. It took Geza Jeszenszky's statement to teach us at last that they simply envy us because we lived under better circumstances while they suffered(?!). This is candid talk at least, and most important: It attests to highly principled thought. It is by all means strange as an explanation.

Have we lived under better circumstances and are we living under better conditions today? Let us preface our answer by saying that we did not leave Hungary in order to live under better circumstances. And when we left, we left everything behind—the relative security of a home, our relatives, our beloved ones, our mementos, our valuables, and our homeland. We left for a total uncertainty, many of us without knowing the language, and without a trade or connections. Instead, all of us left with a little suitcase. We began our new lives on straw bags in refugee camps, and in the beginning, most of us established the foundation for that envied "better life" with physical labor. And we had to work very hard before in the end almost all of us succeeded in getting along and establishing ourselves. We had to work much harder than those who in Hungary envy our standard of living today have ever worked. Geza Jeszenszky, a person who has received permission during the years of dictatorship to live in America as a guest professor, should know more about this, because it would be unthinkable that he did not witness during his stay the lives of some emigrants at least.

"I do not believe that it would be appropriate to use the distinction between who stayed at home and who left for abroad as the criterion for steadfastness in support of the country. Many did not leave because they were unable to. They lacked an opportunity and courage, and for understandable reasons, the inert force was stronger. We would create a virtue out of coerced situation if we regarded the mere fact of staying at home as a moral increment. Leaving the country of course also did not add to the moral worth of individuals." These sentences had been written by Peter Hanak and published in the latest issue of BECSI NAPLO, and I injected this quote only for the benefit of those who had "suffered" at home. Surely, it was not easy to live in Hungary either (this writer spent two-and-a-half decades under communism before he finally decided to defect in 1970), but many of those who felt apprehensive about our better life were far from suffering in Hungary. They, too, found America in Hungary during the soft dictatorship, at the time it was possible to pull off little tricks under gulyas communism (even without a membership in the party).

Those who came to the West not in order to get rich, but to do something for their homeland, certainly agreed to perform a special service and to make voluntary sacrifices. For the emigration played the role of the silenced opposition in Hungary; it served as the conscience of the nation and the recorder of the sins of dictatorship. Emigrants cultivated the national heritage, the memory of 1956, and kept alive the demands made in 1956. The emigration remembered our national holidays and did not allow that Trianon be forgotten. We presented to the world the misery of minorities and the crimes of communism. The emigration ceaselessly demanded the departure of Soviet troops from Hungary and free elections. The emigre newspapers were first to write about the tragic decline in the growth of the Hungarian population and about the anticipated effects of the Bos-Nagymaros giant mania. Hungarian scouting survived in the emigration. We preserved the memories of those who fell in defense of the country, who were taken to the Soviet Union, and who fell victim during periods of communist emergencies before 1956 and after the revolution. And finally, the emigration kept alive the flame, the hope for freedom and faith in the finite character of the new subservience....

I could go on, but what for? We did so because we felt that this was our duty. The extra work we performed was our duty as emigrants, because "we enjoyed a much better life...." And we did not expect to hear words of thanks from anyone, we did not strive for ministerial positions or decorations, and we did not intend to enter Budapest in a white Mercedes. We were paid by Kadar's people when they branded us as Fascists, when they blacklisted us to prevent us from going home (we did not want to go home), and meanwhile we had to tolerate the sarcastic remarks and threats made by Kadar's agents in our adopted country.

Meanwhile the years passed and we became old. Later on Geza Jeszenszky, who "suffered" through the communist era as a professor at the Karl Marx University of Economics, appeared and told us that since we had to wait for four decades before the system changed, the emigration could no longer have members "at the height of their strength and aware of their experiences." To begin with, not everyone began his life as an emigre four decades ago, and even if this was the case, their experiences only increased with the passage of time even if their strength was on the decline, as provided for by life. But this kind of thought underestimates those who preserved their creativity at an advanced age and whose names are well known. Let us recall Ede Teller, the world-renowned scientist still active today; Bela Varga, whose list of merits would be too long to enumerate; Janos Nadas, the chairman of the Hungarian World Council who is preparing to organize the Hungarian Congress in Cleveland this year. Each of these persons are closer to their 90th birthdays than to their 80th. And these are only a few examples.

The experiences gained during the years spent in the West, the knowledge of languages and diverse contacts could all be useful for our common homeland. A homeland, whose conditions they know at least as well as those who lived in Hungary during the last few decades, and despite the "necessarily extended stay abroad." This is so because while they were shut off from the great wide world and condemned to provincialism, and were unable to see beyond the borders (except Moscow), the emigration was able to obtain information through every means of modern communication about the situation in Hungary and was able to follow the developments. It concentrated all of its attention on events in Hungary, and only an uninformed person could accuse the emigres of "insufficient knowledge of conditions in Hungary." But this uninformed state of affairs also characterizes the entire Hungarian society.

The entire statement reflects a high degree of being uninformed and therefore I am inclined to believe that the offensive sentences that are prone to be misunderstood did not originate from Geza Jeszenszky but resulted from superficial journalistic work. I would like to hope that the head of Hungarian diplomacy will soon affirm this assumption of mine and will issue a disclaimer concerning certain offensive statements contained in the interview published in the 26 July issue of AMERIKAI MAGYAR HIRLAP.

#### Legitimists' Long-Term Hope of Habsburg Monarchy

92CH0081A Budapest TALLOZO in Hungarian  
3 Oct 91 pp 1,908-1,909

[Two separate interviews with Sandor Kiraly, a member of the Christian Democratic People's Party, and with Laszlo Palos, president of the Hungarian Legitimist Party, by Bela E. Toth; place and date not given: "There

**Are Some Who Aspire to the Hungarian Throne?"—article reprinted from ESTI HIRLAP, 28 September]**

*[Text] The crystal chandelier is shining, porcelain cups clink, people come and go between the marble walls. They shake hands and converse. This coffee house is beautiful, it's from the olden days of peace. "But somehow it's still not the real thing," two gentlemen at the next table said as they looked at each other. "This republic is alien to the spirit of the Hungarian people accustomed to a thousand-year-old kingdom. Bela Kun followed the proclamation of the first republic, the second was followed by Matyas Rakosi. Could it be that we would be better off with Ivan Peto at this time?"*

*These are new times. The other day several thousand people in Bulgaria demanded the return of Czar Simeon II; heir apparent Alexander II returned to the Serb royal castle; King Michael is popular in Romania. KDNP [Christian Democratic People's Party] member Sandor Kiraly has been advocating the ideal of a Hungarian kingdom ever since 1930. I sat down at his table first.*

**[Kiraly]** Indeed, I have been fighting for the legitimist idea since 1930, that's when Otto von Habsburg turned 18. In that year titular abbot and National Assembly representative Dr. Miklos Griger of Bicske announced the establishment of the National Legitimist People's Party so as to enable Otto von Habsburg to occupy his ancestors' throne. I, too, was active in that party. But in 1932 Gyula Gombos became the prime minister and based on his well-known political orientation he hindered the functioning of the Legitimist People's Party wherever he could. For example, in the 1935 parliamentary elections he declared that as long as he was prime minister, Miklos Griger, "the red priest" (his hair was red), and the Marquis Gyorgy Pallavicini would never be seated in parliament. This turned out to be true; the party wanted Dr. Dezso Sulyok and Vitez Lajos Makray to hold mandates, as I recall. The significance of legitimist thought is indicated by the fact that Gyula Dessewfy and Istvan Barankovics began their political careers in our party. The party ceased to function in 1938 after the Anschluss.

*Sandor Kiraly also indicated that he was received several times by Otto von Habsburg during his visits to Hungary.*

**[Kiraly]** On one occasion I said farewell to him saying that "There was only one problem, Your Highness: This meeting did not take place 25 years earlier."

To this Otto von Habsburg replied: "Yes, that's the problem."

\* \* \*

*Those who placed the cause of restoring the kingdom on their banner also have a party, the Hungarian Legitimist Party. Laszlo Palos is its chairman and he, too, took a seat at the small coffee house table.*

**[Palos]** Surely, if we were able to elevate Otto von Habsburg to his throne in these quarrelsome times, or

place the Holy Crown on the head of one of his sons—Karoly or Gyorgy—the country and democracy would be far more calm. We could approach Europe so much easier.

*Palos also introduced his party:*

**[Palos]** They have about 200 members, they did not seek funds to finance their budget or ask for a car; they hope to be spared from political adventurers since there is no dowry; their chairman, (an electrical engineer by profession) recommended to the Workers Guard choir and band when Queen Zita was buried that they continue functioning as a royal choral society.

Later on they discussed whether it would be more favorable if the crowned Habsburg boy married a girl from the Hungarian high nobility, thereby accelerating his popularity among the Hungarian people; alternatively, if he seated a lady from the British royal family next to himself on the throne. This would have the advantage of increasing Anglo-Saxon interest in this region of Europe, the party chairman explained. Another advantage would be that some blood from the Arpad Dynasty would also flow in the veins of British royal descendants. Although ... a queen from the Japanese imperial line could also be considered.

\* \* \*

*I asked how they would perceive a transition from the republic to a kingdom.*

**[Palos]** Only by legitimate means. This is also suggested by the word "legitimist" in the party's name. The transition would have to be initiated in parliament, it must approve the kingdom by casting votes.

*I told him that in my view only a minority in parliament would push the "yes" buttons. Laszlo Palos responded with squinted eyes.*

**[Palos]** Come on, the representatives know that they are lucky if 50 percent of them remains in parliament after the new elections. Despite this, however, the legitimists need not rush this matter, we recognize an opportunity to crown a king at the millennium [1996], on the 1,000th anniversary of Saint Stephan's crowning.

We would guarantee the undisturbed functioning of the National Assembly, and they would vote for the kingdom. After all, this would be an occasion to say "yes" in a responsible manner.

Incidentally, we are aware of the fact that we have our people even the present parliament, mainly among the Smallholders and Christian Democratic Party representatives. The only thing we must watch out for is that the Romanians do not get ahead of us with King Michael.

*I then learned that the mention of members of the Habsburg Dynasty was no coincidence: They would recommend that our king come from that family. Just how popular is that dynasty in Hungary? They mentioned that*

*Otto von Habsburg was one of the best liked persons. And how about the fact that he did not agree to the request made by the Smallholders to run in the elections for president of the Republic? They told me that I was misinformed, "Otto" insisted on an election based on a popular referendum. And just why did the Austrians not elevate the Habsburgs to their throne? I was told to ask this question in Vienna.*

\* \* \*

[Toth] Okay, let us assume that a king will be elected in Hungary. It would be very unpleasant to find out that there was no one on whose head we could place the crown!

[Palos] But there is! We are aware of between 120 and 150 physically capable Habsburg men and between 15 and 20 of them also have the appropriate knowledge. We have not yet sent an official request, of course. But this could not be done at the spur of the moment, we would have to observe the rules. Otto von Habsburg is the head of the dynasty, we could not go over his head. He would be the one to nominate our king, at our request. We maintain daily contact with them, we know exactly that there are some who aspire to the Holy Crown.

[Toth] Before that happens, however, the legitimists have a number of things to do. A few members would labor on the revival of the Hungarian-Austrian state, while Laszlo Palos would make the institution of kingdom popular, building mainly on the memory of [King] Charles IV.

[Palos] Only seldom did they tell the truth about them. Many feel that it is too costly to maintain a royal family. This is not true. Just think of the fact that in terms of protocol a handshake with a king is worth more than a caviar and champagne reception given by a ... a ... president of the republic.

[Toth] But the Legitimist Party is still only a small party. Do you feel that a kingdom has a chance?

*Laszlo Palos smiles and nods his head.*

[Palos] Listen to me. Not too long ago I said that I would travel once again to Leningrad only after its name has been changed to Saint Petersburg. At that time I got some odd looks. And isn't it true that I could travel today to Saint Petersburg?

*What should I say? I pondered, I mulled over the issues. Moreover, I thought through everything, I considered everything thoroughly. In the end, with a sense of responsibility, I said: Yes.*

**Ministry Official on Changes in Criminal Code**  
92CH0061A Budapest REFORM in Hungarian  
3 Oct 91 p 21

[Article including interview with Dr. Karoly Bard, Justice Ministry deputy state secretary, by Andrea Cs. Nagy; place and date not given: "If Two Life Sentences Could Meet"]

[Text] The Ministry of Justice has touched upon a sensitive point of the Hungarian legal system when it submitted proposed Criminal Code amendments to the cabinet. The one who should be glorified, praised, perhaps scolded, or held responsible is Deputy State Secretary Dr. Karoly Bard. In an unusual manner he alone accepted the virtues and flaws of the renewed Criminal Code; moreover, he was willing to discuss the matter.

[Bard] The Criminal Code of Laws now in effect has become obsolete in several respects; it needs to be revised. Primarily, the punishment involving correctional and educational work lost sense, therefore it is likely to be deleted from the body of laws. In the 1970's this law appealed to the "educational force of collectives and their power to mold human beings," but in reality it amounted to none other than a fine. Society vouched for the culprit, the criminal worked under the supervision of his associates and the only difference was that part of his wages had been taken away. This form of punishment has become anachronistic with the passing of time. In recent times courts did not pronounce sentences involving such punishment, but even earlier, difficulties with the enforcement of such punishment had been apparent. With the large-scale termination of workplaces the state enterprises in which these punishments could be served had also been terminated.

Dr. Bard also said that the legal viewpoint had changed regarding life imprisonment. According to their present perception, courts could henceforth determine that criminals would become eligible for parole after 15-25 years. A judge could thus convey the sense of the "gravity" of criminal acts by following a selective process in this peculiar value system. The principle of proportionately weighing the gravity of crimes could still be enforced. The criminal codes of law of West European countries permit parole sooner, but some include provisions for 15, 20, and 25 year definite terms of imprisonment. If two life in prison sentences "were to meet," e.g., if a convict committed murder while in prison, one could entirely rule out parole, i.e., the life in prison sentence would actually be enforced except if the prisoner was freed under amnesty.

[Bard] Speaking of minimum sentences I would say that we established one day in prison as the lowest threshold for the loss of freedom. By lowering the minimum duration of a prison sentence we do not expect penal institutions to be filled with convicts sentenced to "a few days" in prison; to the contrary, this would have a restraining effect (because enforcement authorities and judges would have discretion in sentencing, they would

be more free to require the payment of fines since our concept would raise the maximum amount of fines to 3.6 million forints). This would mainly apply with respect to traffic crimes (i.e., in regard to "white collar" criminals).

[Cs. Nagy] Does your proposal include reform measures regarding prostitution, drug use, and the regulation of commerce?

[Bard] It does. Some fundamental changes in outlook were also needed in this regard in the Criminal Code, because in general, the persons regarded as "having committed crimes" were also the victims (in both instances). Relative to criminal acts involving drugs the rules would be far more varied insofar as the conduct of committing the crime, the crime that could have been committed and the criminal responsibility were concerned. A drug user is henceforth to be regarded as a victim (only if he himself does not distribute or sell drugs, of course), while the "dealer," the one who profits from drugs, is to be treated as a seasoned criminal. Thus the determination of criminal responsibility would follow two separate paths. A drug user would have an opportunity to "exempt himself" from under criminal responsibility provided that he agreed to undergo withdrawal treatment at medical institutions (recognized by the State Public Health and Medical Officer Service, which has existed prior to the war and has once again been reestablished). Under these circumstances a drug user could avoid punishments upon presenting a certificate received from such an institution.

The Deputy State Secretary also said that they intend to discontinue regarding prostitution pursued in a business-like fashion (as defined today) as a crime. The "girls" will no longer be subject to punishment, but those who let rooms, apartments, or premises for the pursuit of prostitution in a businesslike manner the more so. (Moreover, this includes financial contributions to such undertakings and even the operation of institutions suitable for such purposes.) Accordingly, a prostitute can do whatever she wants, but prostitutes may assist the authorities in proceedings against those who procure girls for prostitution, pimps, and operators of houses of prostitution, and prostitutes may be held responsible for providing false testimony in such cases.

[Cs. Nagy] What is your view about crimes committed verbally, crimes with a political content?

[Bard] Although the law would provide guidance, in reality the one who applied the law would determine on a case by case basis the limits of freedom of speech and the expression of opinion, and the limits of the scope of crimes committed before the greater public and against public peace.

[Cs. Nagy] Accordingly, would the proposed Criminal Code be more humane than its predecessor?

[Bard] Yes, but it not only favors those who commit crimes. At the same time I would also mention the fact that a humane approach does not always result in

relaxations, in many instances it constitutes the termination of irrational, senseless rigor.

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Since the legislative process is rather slow these days, the simple citizen must not raise great hopes with respect to the speed of legislative work. Nevertheless legislators are confident that the proposed amendments to the Criminal Code will be presented to parliament this year. The only thing we would like to know (as a matter of concern for these amendments) is this: Where could we find Legislative Proposal No. 548 concerning the economic chapter of the Criminal Code, which had been introduced by legislators a year ago. We trust that this bill did not end up where those who commit economic crimes wanted it to be.

#### **Former Regime Said To Have Favored SZDSZ**

*92CH0086A Budapest UJ MAGYARORSZAG  
in Hungarian 17 Sep 91*

[Article including interview with Jeno Nagy, founder and editor of the samizdat publication DEMOKRATA, by Bela Szilard Javorzky; place and date not given: "Hopes and Disappointments: Confessions of a Samizdat Publisher"]

[Text] "Let them take away everything except the free press, and I will no longer despair over the liberty and happiness of my nation!"—Kossuth

"The press law should consist of a single section: Telling lies is prohibited!"—Deak

Samizdat. This word of Russian origin has once been synonymous with "being in the opposition," with secret resistance, with "underground literature," with house searches, complaints, and police action. At the same time, that word also stood for a feeling of being involved. It is a politically charged word, even though all it means is that "I, myself publish some text" and therefore the text is not going to be scrutinized [in advance] from a political or professional standpoint. These newspapers actually serve to protect the ideal of a free press; due to their low overhead and nonprofit character they manage to remain independent from parties, the state, and from capital—at least under normal circumstances. And even if these newspapers are unable to acquire country-wide fame, they sooner or later find their own publics which enable them to exist.

There were countless, mutually independent "samizdat editorial offices" in Hungary during the days of the party state. The activities of some of these, like BESZELO's and HIRMONDO's, have become known nationwide since the system change, while others, such as DEMOKRATA, EGTAJAK KOZOTT, etc., remain in a dense shroud even today. After the collapse of the Kadar system the situation has been made even more complicated, because samizdat has turned into a tensely debated issue in partisan politics; the identity of the

participants and their methods of, and reasons for participation in the "movement" during the past 10 or 12 years remain unclear to this day.

#### For the Joy of Having a Free Newspaper

Jeno Nagy has been the editor of DEMOKRATA since the beginnings, i.e., he took part in the samizdat movement since 1978 and published his newspaper each and every month since 1986. Despite this fact, the treatment he and his few associates received since the system change has been of a kind as if their samizdat newspaper had never existed. He was not even invited to take part in the samizdat exhibit last spring at the Petofi Museum.

[Nagy] Unfortunately, we had enough time to get used to not being talked about and not being able to talk to others—a situation that has remained unchanged to this date. Nevertheless, certain phenomena raise real concerns and these should be known to others. The sole reason for our "descent" into samizdat was the joy of creating a free newspaper. For this reason we do not envy those who abandoned their evolving careers as journalists and tested their political abilities. It is our duty to discuss the way the samizdat "opposition" of those days treated its own minorities, however, and we want to discuss this matter for reasons that go beyond justifying our own, weak performance. The fact that we have been had for so long might save others from suffering the same fate.

[Javorszky] Before going into details, however, would you describe briefly the circumstances which prompted you to become a samizdat publisher?

[Nagy] I was born on an outlying farm; the fact that I enrolled in a gymnasium amounted to a small miracle. My parents were strongly opposed to this, but for some reason I was highly attracted by the humanist intelligentsia, which appeared to me as distant and out of reach. I joined the Saturday afternoon classes of the Studium Generale after 1968; it offered "preparation for admission to the university"; I was admitted as a "disadvantaged" gymnasium student. I became acutely aware of the social criteria that could make a career succeed or fail—considerations that had nothing to do with the efforts, abilities, and merits of individuals—in meetings organized by university students of bad conscience who were prepared to sacrifice their individuality for the sake of making a career. They were experimenting with the dismantling of the caste system, with the freedom of education and with a new kind of "alternative" school. At that time our "only" immediate goal was to be accepted at the university, but we were aware of the extent to which the professional, social, cultural, or political screening [performed by the Studium Generale] determined the entire life of a person. Once accepted at the university I organized a student group to examine the mechanisms that transmitted social disadvantages from one generation to another. I did so with several friends of mine who were blessed or cursed with a sensitivity and interest in the affairs of society. Balint Magyar, Gabor

Halasz, and others. Interestingly, the high point of the functioning of this group coincided with the Haraszti trial, which resulted in the public harassment, firing, and internal or external exile of critical social researchers and philosophers who labored on the renewal of Marxism. We disbanded our student group to escape an initial attempt by the state to take over the group; thereafter some of us committed ourselves to reform KISZ [Communist Youth Organization], others, the majority, satisfied their desire to freely obtain information and to pursue political action by embracing the sweet life, or by visiting "illegitimate" lectures who could be heard only by some chosen people.

[Javorszky] What did you do after your graduation from the university?

[Nagy] I stayed on as an assistant at the department of philosophy. I worked at a place that received outside assignments, conducted research, prepared documentation, etc. in the field of "socialist consciousness," abundantly funded by the MSZMP [Hungarian Socialist Workers Party], even though this place was part of the philosophy department. My position was regarded as rather important around 1978 and 1980. We soon found out that the money that freely flowed in this place could easily be used to assist the by then jobless and blacklisted members of the opposition. For example, Gyorgy Krasso was able to translate Bill Lomax' 1956 book with the help of these funds. We might ask ourselves by now whether it was worth burning bridges behind us by using "party funds" to permit unemployed persons in the opposition to translate materials that should have been samizdat anyway from the outset. In retrospect, one wonders about the wisdom of this action, because we remained just as poor as we had been, while our colleagues who remained silent for a long time, or as people of the state acted as bureaucrats are now "harvesting the market" by publishing works that appeared in samizdat editions before. In any event, in those days I did what I felt was the right thing to do, and soon became personally acquainted with people whom I subsequently thought belonged to my group of people. For a long time I naively believed that the samizdat aristocracy which traveled all the time and established serious foreign connection would neither expropriate nor suppress, nor discredit the work products of the plebeian branch of samizdat—we were in the "same boat," after all. I recall an instance in 1979 when we were glued to Balint Magyar's radio in his Galamb Street three-room apartment listening to a broadcast from Munich calling out almost 300 "small" and "big" names that had been affixed once again to the 1977 protest against the imprisonment of the Charta '77 activists. In those days it did not occur to us that it was a different matter for a small person to sign this document than for a person whose name was known. Some use a safety net to perform acrobatic acts, others do not. I still have no regrets about having signed the Charta in those days, but upon reflection I feel that I could have exercised more caution in selecting causes to which I gave my name and the persons with whom I signed.

**BESZELO Was the Political Committee**

[Javorszky] Perhaps this is why the regime got fed up with your activities in 1980 and you lost your job.

[Nagy] Most certainly. Losing my job touched upon a rather sensitive point. We lived with two of our children in a sublet and it so happened that nobody came to help. This was the time when I "entered" samizdat. I had something to do and felt that I was serving the good cause of a free press, the freedom of printing. By pursuing samizdat efforts we challenged perhaps the most important monopoly of the party state. But today's "freedom of the press" did not come about as a result of samizdat, of course. In 1981 establishing ourselves in the underground amounted to a virtual commitment "for life." We are fortunate that this was not the intent of the heavenly (great) powers.... Competent samizdat circles only complained about not having enough freedom, at the same time the truth was that NEPSZABADSAG and BESZELO could write about "anything" and only the group of privileged persons would expand unless everyone had an equal opportunity to obtain and to convey information, to express his view in public and in multiple copies, and to weigh the points of view expressed by anyone else etc. Lacking encouragement, only the intentionally suppressed facts, views and opportunities, thoughts and writings would express the magnitude of intellectual violence here and now. One can only guess, and one has to guess.

[Javorszky] Were you not afraid in those days that the regime might become more rough and might even put you in prison?

[Nagy] In the early days we were not aware of the possible consequences. With the passing of time we learned that pursuing samizdat activities was not so dangerous. As long as samizdat existed and as long as it could not be wiped out because of the foreign policy "price" that would have to be paid, it made sense for the regime not only to limit samizdat activities as much as possible, but also to convey peculiar messages signalling its level of tolerance in terms of specific newspapers belonging to specific political groupings. They were rather successful in using the carrot-and-stick approach to sever the smaller, impertinent, plebeian, unfathomable newspapers and groups less infected with Bolshevik mentality and which did not speak their language at all from those who were always willing to form tactical alliances with the regime. Accordingly, they used coarse, visibly discriminatory tactics. "Choose you own enemy, if possible," they must have thought.

In 1984 and 1985 one could not avoid taking note of a samizdat "editorial" group intent on monopolizing the flow of news and opinions the same, if not in a more coarse way than the party state. This was the more outrageous because by veiling their partisan interests, they declared themselves as "the Hungarian democratic opposition," while abusing situations in which others found themselves, not daring or being unable to establish

alternative "Hungarian forums." Populist writers also hold serious responsibility in this regard.... BESZELO and its half brother—later its full brother—HIRMONDO literally dominated the second consciousness for five years while jealously guarding their privileges (technology, resources, foreign and diplomatic relations, "big names," their protected status and the support of the reform intelligentsia, and by expropriating opportunities to speak and to make public appearances).

Accordingly, there was a party-autocratic wing and an anarchist wing within samizdat—the latter has a rather pejorative connotation these days in Hungary but I understand that term to mean the "no power to anyone" principle. Krasso defined this situation well shortly before his death: The party autocratic wing invented a great situation in which BESZELO served both as a samizdat newspaper and the political committee of a party.

**Small Risk—Big Political Capital**

The regime would really have taken samizdat seriously had samizdat been able to mobilize large masses of people. But they knew that only a few people acted heroically in pursuing samizdat. These people had to be restrained from time to time of course, but while doing so, the regime was able to brag about the liberal leadership of the country and the free press, and so on and so forth. [BESZELO-HIRMONDO's] editorial office also served as headquarters for what they called the "democratic opposition." They discovered that by playing the samizdat game and by greatly publicizing their samizdat activities—a thing they very well knew how to do—they would acquire tremendous fame which could be exchanged later for other goods, such as power and money. [BESZELO-HIRMONDO] issued various proclamations from time to time, but the contents of these could not really be influenced by "outsiders." Many people questioned why the same 10 people signed these proclamations all the time. I was able to understand at the time that these 10 people could not solicit signatures on a street corner, but only subsequent developments made it clear why the same 10 names appeared on every proclamation. Could this have been a coincidence, or could it be that this country had only ten heroes?

[Javorszky] In those days, and I believe even today, the term "opposition" was always mixed with the word "samizdat," whereas the two had different meanings.

[Nagy] This was no coincidence either. I regard myself a samizdat publisher to this day. I had no political ambitions when I started my samizdat, all I tried to do was to set an example to a broader audience for a certain kind of peaceful civil disobedience. We openly disregarded certain laws and we so stated publicly, because going public was an important part of civil disobedience. Our names on samizdat publications gave weight to these.

[Javorszky] But the existence of these publications was little known to the greater public.

[Nagy] Yes, but many people learned about samizdat publications from Radio Free Europe [RFE]. With our antiquated, primitive means we were unable to produce more than a few hundred copies, therefore we needed help from RFE to increase the weight of this publication beyond its symbolic significance, even though I felt that symbolic significance was most important. This system worked for a while, but then some changes were made at RFE. They made more and more distinctions between the various groups; one group was permitted to talk another was not; in the end they reported the activities of some groups and not of others. RFE's "Without Commentary" program presented one or another article from time to time, and we liked that because they did not explain things, they "only" publicized these articles.

This then is my vantage point, but it is clear by now that others viewed samizdat as a very practical means to forge large political capital with relatively small risk. "Relatively small risk" meant that one could more or less predict the kinds of sanctions that would possibly follow. Things turned more serious on occasion of course, a few of us—including myself—received suspended prison sentences, nevertheless we knew that we would not go to prison, I knew that my children would not be threatened, that people would not disappear without a trace as that happened in several neighboring countries. Reprisals remained below a certain level of intensity. At the same time, the regime was very cunning, and, as mentioned before, it really knew how to divide the opposition and to turn it to its own advantage. For example, the name and address of BESZELO's editor could be seen from the first moment on—beginning in the fall of 1981—on the newspaper, and beginning in the summer of 1982 through 1983 Gabor Demszky and I sold copies of BESZELO at the Rajk-Boutique. In those days we were clearly followed on the street, they tailed us from a distance of two or three meters and made remarks; at night they guarded our building.... But subsequently neither Janos Kis nor Janos Kenedi had any serious conflict with the police, in contrast to the editors of other samizdat publications whose homes had been searched 10 or 12 times.

[Javorszky] Despite all this, DEMOKRATA appeared regularly since the beginning of 1986. How did the regime and the "colleagues" react to this?

[Nagy] Both the regime and its "opposition" were greatly excited because DEMOKRATA appeared not as a party paper or as an aristocratic periodical addressed to the government and the reform intelligentsia, but as a free forum that could be understood by the public. It did so with a ragged outside and in small numbers—for as much as the family budget permitted. The regime sent its bloodhounds after us. They confiscated the publications we prepared with great enthusiasm and with a primitive technology. They went so far as to remove our typewriter several times just to demoralize us and to ruin us financially, and to prompt our sympathizers to avoid us so that we receive fewer writings due to the uncertain (and unresponsive) publication schedule. They did not

lock us up, they expected us to shut down on our own after becoming bored with the tragicomic situation created by "much ado about nothing."

The Great Fellow Newspapers of the "opposition" viewed all this with indifference, at the same time, however, they declared themselves in the background to be against solidarity. They did not circulate our newspaper, for example! Under samizdat conditions this was tantamount to the nonexistence of our newspaper. Nothing was more difficult to bear than the immeasurable indifference manifested by the more favored ones in taking note of the fact that policemen were checking the books and manuscripts of others while they were preparing to take trips to America. We reached a low point when based on different arguments, a Sandor Csoori, a Miklos Vasarhelyi, a Janos Kenedi refused to sign a highly restrained, factual protest drafted by the group that published EGTAJAK KOZOTT and carried it around asking for signatures.... After all this one should be able to understand why Hungarian samizdat book, and mainly newspaper publishing remained in such poor condition.

I never dreamed of appearing in a film segment on Hungarian Television before I could communicate on RFE, in BLACK BOX or on the pages of BESZELO. Personal offense is not the only issue here. Discriminatory policies pursued by the dominant "democratic" opposition groups—supported by American foreign policy—that were aimed at other similar, but independent groups which remained in the minority, and which were critical of the dominant groups must also be considered. Despite all this, DEMOKRATA continued to appear once a month—on occasion, once every two months—regularly, beginning in early 1986 to this date, and this is unique insofar as samizdat newspapers were concerned.

#### The Glory of the Illegal Past

[Javorszky] And how did the other side, the so-called populist, national opposition, relate to you?

[Nagy] At the beginning of the decade we intended to publish not solely for "urbanites." I got in touch with Csoori with the help of a friend, Csaba Konczol. We established an independent publishing firm called Hitel. It published one of Nietzsche's books in the winter of 1982, Zoltan Nyeste's *Recsk*, and the minutes of the Writers Association, but then the whole thing came to an end somehow. Subsequently, in 1985 we wanted to organize a literary periodical with Andras Kardos, and we once again asked for Csoori's help. He was reluctant, however, because he did not want to be out of touch with progressive groups within the regime, and thus the idea of a periodical like this also turned into nothing.

[Javorszky] No. 5, 1989 of DEMOKRATA had a black frame indicative of mourning. Could this be attributed to the fact that in the period when parties were formed the entire samizdat issue arose in an even sharper focus, as if samizdat had been subordinated to partisan political interests?

[Nagy] Exactly. It no longer made sense to continue with samizdat publications. Why should I publish a few hundred copies of a newspaper which did not generate response, and which was paid for with money needed for food? RFE was not willing to report as much as the fact that that on the previous spring I received an eight-month suspended prison sentence. I was hardly amazed by the fact that BESZELO did not say a word about this matter, at a time when they created a world-wide scandal out of Demszky's "police affair." On top of all this Demszky was practically immune to police action for three years as a result of the suspended sentence, at the exact time when we suffered most. They did not want to lock him up, but a prison term could have been the only next "legal" step after that.

Our newspaper was not in no good shape because our key people had been lured away by the larger BESZELO group and by the opportunity to quit quickly (MAGYAR ZSIDO, HIANY). We were never able to promise either American scholarships or future high positions to our authors in exchange for their writings. But the fall of one or another person fighting at the front could scatter all the troops! In any event, professional writers were not scrambling to be published by the "underground" during the 1980's, and especially not in a small circulation, "infamous" newspaper like DEMOKRATA. BESZELO offered a more elegant, and especially a more secure place to be published.

Then HITEL started up; if I recall correctly it uttered a few polite words about BESZELO's pioneering role in its introductory issue. But why should they have been satisfied with this much? HITEL also provided negative advertisement for all samizdat writers en bloc and in general by characterizing them as downtown boutique boys of a good upbringing passing time. HITEL should have alleviated its bad conscience instead by exercising some self-criticism. It could have had a hunch, of course, that in the election struggles the SZDSZ [Alliance of Free Democrats] would make an awful lot of hay from its "illegal" past, the "persecution" it suffered and its "victims," (thus creating a semblance that everyone who ever counted as something had rallied under their banner, and the ones who had not, simply did not count).

[Javorszky] In June 1989, on the occasion of the burial of the reform communists, DEMOKRATA appeared in 5,000 copies, nevertheless. This was also the first issue produced by offset printing, it was the first beautiful, and readable "real issue." What could this turnaround be attributed to?

[Nagy] To a one-time Soros Foundation competition, which invited applications from new democratic organizations. They were forced to dispense a few drops of money to us, in order not to make so obvious the amounts of press money provided under various headings to others. Meanwhile we also settled the legal situation of the newspaper, and 10,000 copies of an edition in the fall were handed to the post office. We received the cold shower with the distribution of the No.

1, 1990 issue: Unopened packages of unsold copies appeared weeks, probably months later in return warehouses!!! This meant no less than a swift indebtedness of a quarter million forints to the post office. Since then we once again returned to the in-house production of the newspaper (and once again in a few hundred copies only). We convince people that we are still alive by mailing our newspaper to subscribers, libraries, fellow newspapers and groups. [Missing text.] We could, of course, request help from foundations, but even the Soros people thought that a printed rejection form was appropriate. And one cannot appeal such a rejection like this (in contrast to the state grant system, which mandates state agencies to provide a reasoned argument supportive of a rejection—these can be controlled). This took place even though we put something on the table during the previous six years, and our needs called for only a few tens of thousands of forints.

#### No Reparations for DEMOKRATA

[Javorszky] If I am correct, last year you applied to then Minister of the Interior Balazs Horvath to "rehabilitate" the samizdat newspapers and their editors. Where does this matter stand now?

[Nagy] We received no "reparations" to this date, and we have not even received blank sheets of paper from among the things they confiscated in those days. Even though this would be not only of symbolic significance—we could make very good use of the confiscated stencil machines and binding equipment! On top of all this they misled the public when the Demszky-Rajk couple was given back its printing machine amid great fanfare during the Nemeth government. And the BESZELO group is in no financial need to have such equipment returned anyway.

[Javorszky] Have it not occurred to you to stop this entire endeavor?

[Nagy] At this point? We would not do a favor like this. We must survive these times by using samizdat methods. We must find our constituency, it will suffice to have only a few hundred interested persons and we must deliver our publications to libraries, clubs, etc. so that the public can read these. I do not believe that DEMOKRATA is a greatly significant newspaper, but in today's meaning of samizdat newspapers like DEMOKRATA, operating with a very low overhead, with very few people and much enthusiasm should also survive. I do not mean to say that these newspapers should become ornaments on top of piles of big newspapers, but they should stay alive because without these the freedom of the press is gone. The whole thing would have been worth nothing if these newspapers ceased to exist or became party newspapers. Even if these newspapers appear in 500 or 1,000 copies, they represent a certain blood transfusion to the entire structure.

## Defense Industry, Armaments Discussed

### Comparisons Made at Conference

92CH0092A Budapest FIGYELO in Hungarian  
19 Sep 91 p 5

[Unattributed article: "What's Going To Happen to You, Military Industry?"]

[Text] The increasingly grave crisis of Hungarian military industry enterprises will directly affect some 30,000 employees; the actual, overall effects are so obvious that they require no detailed explanation.

This is why a two-day conference at the Budapest University of Economics on the situation of, and opportunities available to, the military industry attracted such great interest and such a large number of participants.

In 1986 direct outlays for defense amounted to 3.7 percent of the GDP, while in 1990 the same amounted to only 1.9 percent, the conference established. The 40:60 percent ratio for development versus maintenance recognized as appropriate on an international scale was 43:57 percent in Hungary in 1986; the ratio changed to 9:91 percent by 1990. In the near future we will return to the topics discussed and conclusions drawn at the conference, for now, however, let the following table speak for itself.

### Volume of Certain Categories of Conventional Armaments in Neighboring Former Warsaw Pact Countries Authorized Pursuant to the Agreement Ratified in Paris 20 November 1990

Weapons Category	Hungarian Republic		Romanian Republic		Czech and Slovak Republic	
	Authorized National Level	Existing as of October 1990	Authorized National Level	Existing as of October 1990	Authorized National Level	Existing as of October 1990
Fighter airplanes	180	110	430	515	345	369
Attack helicopters	108	30	120	104	75	56
Tanks	835	1,345	1,375	2,851	1,435	3,035
Armored vehicles	1,700	1,720	2,100	3,135	2,050	4,369
Artillery	840	1,047	1,475	3,819	1,150	3,486

### Conference Findings Reported

92CH0092B Budapest MAGYAR HIRLAP  
in Hungarian 17 Sep 91 p 8

[Article by Andras Kovacs: "Disabled Defense Enterprises; 'Victims' of Arms Reduction"]

[Text] The scientific conference organized jointly by the defense economics department of the Budapest University of Economics and the Center for Security Policy and National Defense Research concerning the future of the Hungarian military industry has been the subject of a recent report. Section leaders of the various branches of that industry—retired, high-ranking officers—told us about the most important conclusions reached at the conference. The once flourishing industrial branch left behind a number of "disabled veterans"; these enterprises hope to receive state subsidies. The feasibility of reviving the state subsidy system while the economy is being liberalized is questionable, however, and a consensus is needed regarding the future scope of the Hungarian Army.

"In earlier days Warsaw Pact members had uniform armaments. Based on Soviet licenses they were involved in the manufacturing processes of these armaments," according to machine industry section chief Gyula Ungvari. "It was no secret that this branch of industry had been profitable. FEG [Firearms and Gas Equipment Factory], Danuvia, the Diosgyor Machine Works [DIGEP], the Bakony Works, the Matra-Region Metal Works, and the Mechanical Works were involved in the

manufacture of various weapons, guns, and ammunition, but their profile was not 100-percent military, of course. Danuvia is gone by now, DIGEP is being liquidated, but there are signs that it will be successful in adopting a civilian profile. From a practical standpoint, military production has ceased in the rest of the enterprises."

In order to protect Hungary's sovereignty, however, the background industry, which produces personal equipment for soldiers, should be preserved because reestablishing these capacities would be costly, according to some conference participants. The military personal equipment manufacturing industry could best be saved by severing certain special factory units in various enterprises from the large factories and by placing these under a holding corporation established for this purpose. Organizational changes would be made under the supervision of the Ministry of Industry and Commerce, according to persons concerned with this matter.

"Although Hungary has only repair capacities for aircraft, economics is not the sole, decisive consideration regarding the aircraft industry," section chief Istvan Schmidt responded to our question. He said that the Pest Area Machine Factory—the sole repair base—is being liquidated. Incidentally, the character of this Szigetszentmiklos plant is not strictly military; it also manufactures machines that apply enamel to wires and oil burners. Civilian production is also struggling because previously the Soviet Union represented the main market. But the largest losses are being incurred as a result of losing

export work, and aircraft and helicopter repair orders from former Warsaw Pact partners that fail to materialize.

There is talk about privatizing the Pest Area Machine Factory with the participation of a British firm; the future owners plan to establish a passenger airplane repair facility. This would be possible only if the new firm also agreed to perform repairs on Hungary's fleet of fighter airplanes. This arrangement would present many uncertainties, however, and therefore, in the opinion of some, the Hungarian military repair facility should be severed from the future joint enterprise.

Conference participants felt that the gradual renewal of the Hungarian air force fleet of airplanes could not be delayed much beyond 1996, however great the costs of such renewal might be. Aside from the expenditures, however, this may also have some positive effects on Hungarian industry, because nowhere in the world is it possible to sell fighter airplanes nowadays unless the manufacturer involves the industry of the client country in some way. Thus, for example, Turkey purchased American F-16's under a reexportation agreement like this: Some important parts of these airplanes are produced by Turkish industry, including for F-16's destined to other markets. This solution not only lowers the amount of cash required for payment, it also yields orders for the domestic industry.

Customarily the manufacturers also commit themselves to establish repair capacities.

"Hungary will need between 120,000 and 140,000 various types of trucks in the next 10 years, according to some calculations," Janos Horvath, the vehicle industry expert at the conference, said. Technical development of the Army would claim almost one-sixth of this volume; the source of funding for this procurement is yet another matter. Accordingly, in the context of what had been said thus far, helping the affected enterprises to survive their financial difficulties, freeing them from their debt burden is an issue whose implications reach far beyond the military industry. Even now, RABA and Csepel Auto Works could produce 10,000 five-to-10-ton trucks each year, but this might become impossible a few months from now, according to representatives of these firms present at the conference. It should be obvious that trucks manufactured in Hungary would be cheaper to both the Army and other Hungarian clients even if more durable and environmentally more acceptable imported engines were built into these.

Tank repair facilities are also parts of the Army vehicle industry. Repair functions were performed by the Godollo Machine Works which is also bankrupt. Persons familiar with this matter believe that it would cost more to reestablish a repair capacity after the firm went out of business than to "resuscitate" the existing factory.

"Electronics plays a decisive role with respect to all kinds of armaments," according to Istvan Szonyi, head of the electronics section. "In addition, the difference between

military and civilian technology is not so great in this field. This branch of industry had registered outstanding achievements until the early 1960's, the end of the vacuum tube era. There was no opportunity for further development, because Warsaw Pact members were forced to adopt electronics manufacturing processes based on Soviet licenses, which in many respects fell short of Hungarian engineering standards. The 'micro-electronics program' was a not-too-fortunate choice; in 1978 it attempted to bring about a change in this regard but with little success. The lead enterprises of this branch—Mechanical Labor Works, Fine Mechanical Works, and Orion—experience rather difficult situations by now and Videoton's bankruptcy liquidation proceedings have begun recently. In certain partial fields, however, Hungary continues to maintain a world state of the art research base."

The conference produced a consensus according to which small countries—including Hungary—should establish a special type of defense system capable of halting an aggressor for a short period of time until political settlement could be reached, while providing for an automated radio control system capacity to permit swift reaction. This would cost a lot, but not unlike in the field of aircraft procurement, costs could be reduced by purchase agreements stipulating Hungarian electronics industry involvement in the manufacturing process. Moreover, participants at the conference felt that Hungarian research groups would be capable of developing part of the needed electronic control systems in Hungary, thus committing Hungarian manufacturing capacities.

It was generally believed that a Hungarian military industry could survive only along with significant exports because the limited procurement capacity of the Hungarian Army for military products. Diplomatic negotiations at the governmental level are needed in addition to marketing endeavors by the respective enterprises because the trading of military products involves more than the rules of the market economy.

#### State Assistance Urged

*92CH0092C Budapest FIGYELO in Hungarian  
26 Sep 91 p 12*

[Article by Sandor Balazsy, Ganz Electrical Works acting president: "Crisis Resolution With Central Help; Olive Branch to the Defense Industry"]

[Text] The military industry—or, more appropriately, enterprises engaged in this kind of activity—are bankrupt. Our author, the acting president of the Ganz Electrical Works, recommends "reorganizing" bankruptcy proceedings and the establishment of a military industry holding corporation in addition to well considered counter-development.

With virtually no exception, Hungarian military industry enterprises find themselves in critical situations today primarily because their markets collapsed. A drastic decline in demand for military products has

occurred as a result of budget reductions in the armed services and armed bodies categories, and because of the dismantling of the Warsaw Pact.

It is equally true that some military products and a large part of the civilian products manufactured by military enterprises have become obsolete, and in many places the manufacturing technology does not meet today's requirements. Although under present market conditions this industry sector would not be able to sell much more even if its military and civilian products were closer to the state of the art, the sector's chances in the international market would be better, and it would hold a better negotiating position concerning cooperation with potential new partners.

#### In Crisis

In addition to bankruptcy, the quickly diminishing well-prepared, professional staff of enterprises and research institutions with a military profile also reflects the crisis of the military industry. Equipment of significant value exists at these firms.

The primary purpose of military production is to satisfy the needs of armed bodies which defend the country and maintain public order. This remains a fact even though in the past a larger part of the combat technology needed by the Hungarian Honved Forces had been derived from imports. In all likelihood imports will exceed domestic procurement also in the future. In earlier days the export value of Hungarian military products regularly covered the foreign exchange needed to pay for imported military products. Hungarian industrial production must continue to play a similar offsetting role in the future.

At present the requirements of armed bodies are at minimum levels and procurement are expected to amount to only a fraction of their previous levels until 1995. After 1995, however, military industry guidelines call for a renewal of the armaments of the Honved Forces, at which point we may once again count on significant domestic demand. In this situation the decisionmaking problem presents itself in the fact that the economic existence of the enterprises is defined in terms of the momentary lack of demand, while a few years hence predictable demand suggests a need to preserve, and in certain instances to develop a significant part of the existing enterprise framework and capacities. A peculiar aspect of the market problem presents itself in the fact that while repair capacities needed for the maintenance of existing weapons and technical systems remain indispensable even along with a low demand, the loss continuously incurred as a result of the low demand threatens the financial situation of the repair enterprises.

All Hungarian factories engaged in military production also have a civilian profile. But these enterprises struggle with the same problems in their civilian production as most other industrial enterprises do. In this situation the satisfaction of military requirements becomes possible only if the market positions of the civilian products manufactured by these enterprises can be preserved

despite competing imports. To accomplish this, one should not be deterred from instituting appropriate protectionist measures, if necessary.

The crisis situation also presents some positive developments, as for instance the visible improvement of conditions in the changed political and economic environment for the civilian use of modern technologies and engineering achievements developed and used in the military industry.

#### Export-Import

Even before, the Hungarian military industry directly satisfied only 20-25 percent of the domestic needs and the rest was covered by imports. But even along with this ratio, Hungary was not a net importer insofar as military products were concerned, because it exported a substantial volume of primarily electronic products.

With the termination of the Warsaw Pact and CEMA one could imagine a theoretical international division of labor in which certain countries appeared in world markets of military products only as importers. Many countries followed this path, but most certainly, this route could not be taken by Hungary because military industry imports not offset by exports would constitute an unbearable burden on the balance of payments. Accordingly, some new cooperative structures (for the mutual trade of military products and for cooperation in spare parts supplies) must be sought which would balance military product exports and imports.

Cooperative opportunities present themselves as a result of similarities of problems experienced by several former Warsaw Pact countries. For example, within the Hexagonale Czechoslovakia and Poland experience the same problems as Hungary. Since there no longer exists a confrontation with NATO countries, an opportunity to cooperate with the military industries of this region also arises. Cooperation of this nature may also become possible with countries outside the bloc. Such opportunities may be taken advantage of only in concert with political and economic diplomacy.

Accordingly, based on the above, we should urgently clarify what domestic needs exist for military industry products and services in the next few years as well as during the period of renewal of the armaments.

We must also rethink the way we want to become part of the international division of labor insofar as the military industry is concerned. Based on such assessment we should begin developing an international cooperative system which enables a balancing of Hungarian military industry exports and imports in the next few years as well as during the period of renewal of the armaments. Based on Hungarian defense needs and on opportunities and intentions related to international cooperation we must make unequivocal choices as to the existing military industrial capacities we regard as superfluous (these must be discontinued), and the ones we deem as necessary and subject to development.

**To Be Preserved**

Most likely we should preserve our electronics, systems organizing, and research and development capacities, as well as manufacturing capacities and repair facilities related to the soldiers' personal equipment. (In terms of electronics industry capacities we do not have in mind the preservation of all capacities, but only those which may be maintained efficiently and which can be developed.) In general, we must preserve technical and intellectual capacities which will be needed in the upcoming years and/or in the period of renewal of the armaments. These capacities should be preserved to the point that they satisfy real demands and in due regard to economic efficiency considerations, i.e., as long as the discounted costs of maintenance and preservation are smaller than the discounted costs of their necessary reestablishment would be following a possible discontinuation of these capacities.

These enterprises should be helped through the low phase of the cycle even if that phase would last for several years. An appropriate organization, such as a military industry holding corporation should be established in order to make such decisions supported by conscious, careful calculations, and in general, to enforce the state's economic and ownership policies with respect to the military industry. We must realize that a significant part of the capital that had been invested in the military industry has substantially disintegrated. For this reason, rescheduling and the full or partial writing off of loans granted by the state and of debts cannot be avoided.

In terms of liquidating enterprises we must enforce purposeful policies in order to minimize further losses. Existing capacities and organizations should be destroyed only if this is clearly the most efficient method by which their inherent capacities can be utilized. Conversely, a demonstrated advantage in maintaining an existing organization should prompt a "liquidation" process of a reorganizing and streamlining character. (In such cases bankruptcy proceedings substantially differ from liquidation insofar as the creditors of enterprises to be reorganized agree to cover the costs of reorganization, thus willingly or unwillingly incurring a small or large loss in the form of unpaid receivables.)

**Moratorium on Sale of Cooperative Assets Rued**  
*92CH0062B Budapest REFORM in Hungarian*  
*26 Sep 91 pp 6-7*

[Article including interview with Tibor Huszein Nagy, Agrarian Alliance executive secretary, by Peter Vincze; place and date not given: "The Most Recent Law Is Dumb, Mistaken, and Damaging to the National Economy; Threat of Agricultural Bankruptcy; The Peasant Alliance Does Not Applaud"]

[Text] Many claim that the illegality is consistent with law, now that the National Assembly debated in plenary session a moratorium on the transformation and sale of

cooperative property in the wake of a "freeze" imposed on trade union assets. Other say that the state is too late to prevent robbery, tactfully labeled as "salvaging."

As long as we are aware of this: Cooperatives have been plundered in many, many places, and it is too late and unfair to destroy the lives of the honest cooperatives.

A belated measure is not a good measure if it produces nothing but passion. A proposal is not a good proposal if it had not been reconciled with the interested and the counter-interested parties.

If a proposal that invokes economic interests is destructive by virtue of its introduction, such proposal is not a good proposal.

Nevertheless, something had to be done about the free robbery. It is a shame that such action occurred belatedly.

[Nagy] This was an extremely dumb proposal. It served one purpose: The government showed its true colors. In looking at the government's intent, i.e., the admitted intent, we find that the long-established law on transformation makes the salvaging of cooperative property by a few virtually impossible, because that requires the vote of a two-thirds majority of the members, and the same applies to the sale of pieces of property. In the final analysis this moratorium represents the dismissal of the propertied membership. It fits in the row of Bolshevik measures promulgated by the ruling coalition. Those who submitted the proposal recorded a rare achievement, every paragraph of the proposal is repugnant to the Constitution.

[Vincze] Legal objections have also been raised in parliament. Let us take a look at the practical counterarguments.

[Nagy] First of all the proposal is unnecessary and unsuitable for its intended purpose. Everyone knows that the transformation process is going to be much longer than the duration of the moratorium. Not to mention the fact that this kind of action is possible only after closing the books, i.e., beginning in the end of January, at best. In contrast, the prohibition to sell is already destructive to the farms this year because property that cannot be sold cannot be used as collateral. We know that this year's crop is good, yet farms do not receive money after their produce despite the beneficial activities of the government. Farms require very large loans to survive the next few months. To say the least: several hundreds of thousands of workers are not going to receive wages. Incidentally, thus far the state financing of that certain safety net full of holes has burdened the cooperatives. At a time when the ideal of a social market economy is being voiced, this measure is neither social, nor market-oriented.

[Vincze] These are the concerns for this year. Then the moratorium expires, November comes to an end and the situation changes.

[Nagy] What is not going to change is the fact that by then panic will reign among foreign investors will be in the process of negotiations. The mere fact that such a proposal has been introduced is a "factor that increases lack of confidence." If this can be accomplished, coarse state interference may be repeated in any other field.

[Vincze] But you would not deny the fact that on a nationwide scale, the many limited liability and stock corporations came about under extremely suspect circumstances.

[Nagy] Look, if a person drove his car to commit robberies and was caught, the car would be seized and confiscated. But they would not confiscate every car owned by all car owners. Incidentally, the corporate law provides guarantees for the control of such transactions, it clearly states that everyone is responsible for the property contributed for five years, for the origin of the property contributed. Criminal proceedings begin when abuse is found.

From my standpoint the fact that no similar action took place in regard to state property is very interesting, because a far greater share of national assets is in the state's hands than in cooperatives. We are aware of a number of incidents in which old and new political hacks committed billions worth of fraud with pieces of state property.

[Vincze] Accordingly, you believe that the proposal is antisocial, damaging to the economy, and senseless insofar as its stated purpose is concerned. What then explains its introduction?

[Nagy] There always has to be a culprit on duty. This government does no more than what has been going on since the early 1980's: National assets are being consumed. At this time they want assets other than those owned by the state. Similarly, there is no change insofar as the collection and redistribution of half the national income is concerned. And the National Assembly continues to be unable to check the wasteful consumption of the state budget.

[Vincze] These cooperatives, however, came about as a result of flagrant violations of the cooperative principle, regardless of how we look at it.

[Nagy] This is true. But they had a year and a half to frame the cooperative law. The legislative proposal has been prepared, it is not perfect but acceptable, and yet the government pulled it back. I believe this happened because the government felt that it certainly had to be wrong if the Agrarian Alliance found it acceptable.

[Vincze] Preparations for next year's crop must begin now. What are the large plants doing?

[Nagy] I would respond with an interesting example of criminal psychology: The defendant struggles and is anxious before his sentence is pronounced. He feels

relieved once the death sentence is pronounced. Well then, let them pronounce the death sentence at last, if that's what they want!

\* \* \*

Surprisingly, the legislative proposal was not received with undivided enthusiasm at the Peasant Alliance either. I took note of two interesting comments: "Large plants should not be scuttled; under constant, caring control, they should support rational changes that were appropriate from the standpoint of the directorate. Irresponsible intervention also cripples the villagers." And the other: "Government commissioners should have already been appointed when the political system change took place."

Executive Secretary Jeno Gerbovits believes that an assessment of the origins of cooperative property should have been made a long time ago. As a result of such an assessment it would have been possible to define certain parts of property which could be reprivatized, i.e., returned to former owners, and privatized. He made proposals to this effect in the days when he took part in governmental work, just as he proposed the institution of government commissioners, but no one listened.

"The idea of a stalled agriculture is absurd, and yet, this threat exists. A special committee should be established before an ultimate deterioration of the situation." Gerbovits, a member of the Peasant Alliance board, notes that "there is no life in the fields. I have seen parcels of land that had not been harvested."

People at the Peasant Alliance are talking about cooperative leaders having sold or mortgaged valuable machinery while they were paid bonuses amounting to many tens of thousands and hundreds of thousands of forints.

In the Peasant Alliance's view the final hour has come for strong and firm action to protect interests. Peasant prosperity means daily bread for workers. The Alliance established ties with the National Association of Workers Councils and would not rule out cooperation with the successor organization of TOT [National Council of Producer Cooperatives].

"I have no reason to flatter the government. The way I see it: The government is unable to establish priorities. While it burdened parliament with insignificant matters, no land law, no cooperative law, and no banking law had been enacted. And they did not ratify the agreement reached in Rome which, among other things, declared the unquestionable right to property."

We also learned at the Peasant Alliance that many farms were able to "pay" wages only in the form of produce and hogs they could not sell. For example, a hundred kilograms of wheat equals 400 forints in wages. A farmer who has lived through "great times" remarked: "A long time ago the price of two kilograms of wheat was equal to

the price of one kilogram of white bread.... Go ahead, figure out the same equation at this time!"

[Box, p 7]

The Peasant Alliance has issued a proclamation. We quote from it:

"... It appears that the government and parliament are not friendly to agriculture and to peasants; neither the political parties, nor the government formed out of these parties are capable of upholding their election promises; they are unable to do what they had agreed to."

The Peasant Alliance will hold its board meeting in Budapest on 12 October.

#### Data Given on Newly Issued Government Bonds

*92CH0062A Budapest REFORM in Hungarian  
3 Oct 91 p 17*

[Article by Erika Makay: "Things That Must Be Known About State Bonds; Advantages and Novel Features, Securities Not Picked Up, Similar to Frankfurt, Cannot Be Stolen or Lost"]

[Text] Subscriptions to state bonds issued by the Ministry of Finance have begun. The state had issued securities like these for the last time in the early 1950's. State bonds constitute obligations representing the state's indebtedness, in this instance in the amount of about 15 billion forints. The term of these securities is three years; interest will be paid once a year on 1 December.

We learned from MNB [Hungarian National Bank] capital market division chief Zsuzsanna Acs that compared to other securities the greatest advantage of state bonds is their fluctuating interest rate adjusted to 2 percentage points above prevailing market interest rates. The state has committed itself to pay interest and to buy back the bonds after three years. Investors may sell their state bonds prior to maturity or may purchase such bonds; the bonds are expected to be traded on the Budapest Securities Exchange beginning in mid-December.

Bonds may be subscribed to between 1 October and 29 November. They will be sold in 10,000, 50,000, and 100,000 forint denominations.

The state bonds feature a number of novel features in terms of both structure (interest rates adjusted to market interest rates) and technicalities of administration (computerized system). Bonds can be obtained cheaper (9,530 forints) on the 40th week when subscriptions begin, and will be sold at face value during the 48th week, the final week of subscriptions.

An investor receives a 1-percent discount if he does not ask to pick up his bonds at the time of purchase. (This benefit terminates, of course, if investors subsequently requests the actual issuance of bonds.) Unless requested,

the state bonds will be protected in the Exchange's Central Vault and will be treated as business secrets.

In a manner similar to bookkeeping, bonds not picked by investors will be computerized and accounted for by the financial institution having jurisdiction. This arrangement provides several advantages: Among other things it protects against loss, theft, and destruction, and the securities cannot fall into unauthorized hands. Another advantage is that investors need not stand in line with their interest coupons when interest is paid; the appropriate office of the financial institution automatically transfers the amount.

The computerized records of state bonds not picked up will be maintained by BOND-INT system of Integra, Ltd. This system is similar to the one at the Frankfurt Exchange.

#### Independent, Nonprofit Radio Station Illegal

*92CH0048A Budapest MAGYAR NARANCS  
in Hungarian 11 Sep 91 p 8*

[Interview with one of the heads of "Prohibited Radio" identified only as "I.L.V." (Leader in Illegality), by Miklos Sukosd; place and date not given: "Prohibited Radio 95.5 FM"—first four paragraphs are MAGYAR NARANCS introduction]

[Text] Nonprofit radio stations were my favorite stations in America. While it was hard to listen to KISS 108 at prime time because of its many commercials, nonprofit stations broadcast entire records without interruption. In addition, announcements of local cultural events; brief, correct news reporting; and no commercials made these stations attractive.

MIT's university station in Boston cannot be beaten in its selection of jazz records; New York's Radio Uppsala presents a stunning mixture of new wave music, opera arias and all kinds of musical delicacies. But still, Emerson College's long reggae afternoons were most memorable. And so was the direct style, the various accents and direct style of all kinds of immigrants.

The first independent, nonprofit radio station began broadcasting last week. "Tilos Radio" [Prohibited Radio] broadcasts programs without a license three times a week and it sounds just like the Western non-profit broadcast stations.

But joy is already mixed with doubts. Radio broadcasting is not like samizdat: While the freedom of the printed press enabled everyone to exercise this liberty, radio broadcasting is something different. The number of available frequencies is limited, and ether, like all other natural resources, is in limited supply. I was thinking: What would happen if the great media sharks followed the example set by Tilos Radio and began broadcasting even before the frequency moratorium was lifted? Amid chaotic competition the strongly capitalized commercial broadcasters would win, wouldn't they? And

chaos would not be in the interest of the people. I paid a visit to one of the Leaders in Illegality (I.L.V.) of Tilos hoping that he would dispel my doubts. He did. The following conversation transpired.

\* \* \*

[I.L.V.] The earliest possible lifting of the moratorium is at the heart of this issue. It is absurd that in the course of two and a half years they were unable to make frequency allocations—everyone agrees in this regard and this is why the press supports us. We, on the other hand, would not want to apply for a license even after the moratorium had been lifted, we can only go so far as complying with the reporting requirement. This is so because we do not want to become a commercial radio, nor do we want to be a public service radio in the strict sense of that term. Our broadcast station is in a third category: We are a cultural, nonprofit radio which accounts to itself for what it says, just as an independent newspaper does. Unfortunately, no plans at all exist for such a category, the legislators have not seen to establishing such a category, even though a public demand can be well recognized. We must reach an agreement of course, because frequencies are in a limited supply.

[Sukosd] But wouldn't such an agreement follow if you applied for a frequency?

[I.L.V.] No. What we would like to see is the allocation of a band—five or 10 frequencies—in the framework of the frequency law. This band would serve entrepreneurial ventures that intend to broadcast without commercial advertising, where groups with self-initiative get together and agree on how to divide the frequencies available within this band. Thus we would negotiate with each other. We would like to achieve a situation in which these groups are allocated frequencies free of charge because they have no money to buy frequencies. All this is very close to what an anarchist would say from the standpoint of logic: We do not deal with the state.

[Sukosd] But what if a large media shark, let's say Berlusconi, follows your example and starts up a large illegal commercial radio broadcast station and thereby ruptures the dam? I do not think that the country would benefit if everyone conducted himself as you do.

[I.L.V.] This would be an indication to the government similar to the taxi blockade or to certain trade union actions. But the essential question is this: Berlusconi and other broadcast lords do not want to be illegitimate. It is not worth it for the large media sharks to go into illegality because this would deteriorate their chances while they stand in line at the government for frequencies.

[Sukosd] To what extent did you go public? NARANCS has asked for this conversation for a week and it is only now that we could talk. It seems as if you were unable to decide whether or not you wanted the press to react.

[I.L.V.] We did not really want to appear in the mass media; we felt that it would be better if our programs conveyed the idea of what we wanted to do. We need publicity to defend ourselves because they could catch us and then the radio would expire without anyone knowing about it. Nevertheless the moratorium presents an impossible situation, its lifting should be urged and therefore this story is not only about us, but about all those who stand in line.

[Sukosd] You mentioned that your outlook was not far removed from that of the anarchists.

[I.L.V.] We are not anarchists, but we are far less inclined to accept the whole idea of state distribution, registration, supervision, and the control system than the other radios in the process of beginning their operations. We do not enter our name on the list because we feel that radio broadcasting could be an individual right just as the right to use any other media. The fact is that frequencies are in short supply, but I do not believe that frequencies should be allocated on the basis of majority votes or based on some other proportion of votes in parliament.

[Sukosd] But once the moratorium is lifted, nonprofit radios would also receive a few frequencies; in the final analysis a parliamentary committee would allocate these. Accordingly, the framework within which distribution would be made freely would be provided by the state.

[I.L.V.] Since we are not anarchists we take note of, and recognize the existence of, a state allocation system, but we would like to strongly restrict the areas in which the state exercises its regulatory powers.

[Sukosd] To what extent are you persecuted?

[I.L.V.] Greatly; they are determined to capture the radio but they did not succeed for the time being. I am not sure whether there will be a radio on Wednesday when NARANCS is published; they will have a few opportunities to catch us before then. They are using strong forces to accomplish this.

[Sukosd] So far as I know, in its illegality Solidarity tried to broadcast from a mobile van because it was more difficult to get a fix on a mobile station. Have you thought this?

[I.L.V.] We have done this, let's leave it at that.

[Sukosd] Who is persecuting you more, the bureaucratic authorities or the police?

[I.L.V.] I was inclined to perceive this matter as if they had been doing their job. It is the function of the Frequency Management Institute to act as an authority in cases like this for reasons I mentioned at the beginning of our discussion. But things are a bit more suspect than that. A state secretary at the Ministry of Communication is very nervous. A journalist conveyed a message which said that we could get really hurt. At the same time—the

message continued—we would be treated on a preferential basis regarding frequency allocation if we quietly said farewell to our listeners, because "they never heard a cultural radio program that was put together so intelligently" so they said.

[Sukosd] This style is fully reminiscent of the Kadar era.

[I.L.V.] Fully, and what raises concern is not only the fact that they are chasing us. On the following day we heard that if we failed to do what they said we would no longer be a "very intelligently edited, high standard cultural radio" but they would strike down on us. In essence, we have quite some time left to play hide and seek with the masters of frequencies, but the program will suffer if we must continuously conspire.

[Sukosd] What are the principles for programming, what do you broadcast, what is the ratio of music versus the spoken word?

[I.L.V.] Between 70 and 75 percent of the broadcasts is music; this incidentally is not the case with the large media: We alternate with rock music, African and Latin American folklore and rock variations of these, and Gypsy and Hungarian folk music. The spoken programs consist of interviews and talk shows. Most important is the fact that we would like to talk about minorities; these are covered by the mass media only on a sporadic basis. These are the homosexuals, the lesbians, the anarchists, the homeless, the drug users, and other minorities. We will also have 30 minutes set aside for Gypsies in the Roma language. We do not want to discuss politics. We have not targeted any group that could be defined in sociological terms, a group for which we would like to broadcast so that everyone found something that applied to him in the broadcast. Our broadcasts target a stratum.

[Sukosd] What is your interest in politics?

[I.L.V.] We obviously will not be silent when events similar to the taxi blockade take place in the country. Everything else depends on the individual taste of the program editors: One of them is more politically oriented, the other is less. In one of our broadcasts we discussed the politics of Pal Janos in conjunction with the ANARCHISTA UJSAG. We would like to be part of the world's alternative news chain. This is a computerized system whose last station is in Vienna at present, we would bring it over from there. If we succeed in this we will present regular news reports from there. Until then,

news comes by chance because it costs a lot to buy news from the large news agencies.

[Sukosd] What are your plans, will you stick to the four-hour broadcasts three times a week, persecution permitting?

[I.L.V.] No, in the future we would like to broadcast for eight hours five days a week, from four in the afternoon until midnight. As a first step we would increase the frequency of our broadcast to five days, from 4 pm to 8 pm. Financial barriers also exist, we would like to improve our broadcast quality. A broadcast station like this can be bought by people, one shouldn't think that we are investing an enterprise's worth of money in this station.

[Sukosd] What good does it do for you to work free of charge?

[I.L.V.] This is a personal question and I can only state my personal view in this regard. I like to work for a cause I regard as worthy. We cannot sacrifice all our time in which we could earn an income, we are not doing that even at this point. And if no one pursues this, the whole thing will be lost, and as I said before, we are not the only ones involved. We conducted an experiment to find out whether we could resolve this matter within in a minimum institutional framework.

[Sukosd] If you succeed in extending your broadcast time, will you not consider commercial advertising to cover the costs, even if you only broadcast the advertisements of alternative programs you like?

[I.L.V.] No. We do not want to accept any advertising money. We would much rather have foundations to support the radio and ensembles would perform concerts for our benefit. Accordingly, we would like to develop a network of volunteer sponsors. They asked us whether we would still refuse to submit an application for frequency allocation if a large cultural institution or foundation funded by the state budget would provide say, 5 million forints. No, we would not. In that case we would distribute that money among the minority groups we talked about, or, we would purchase 30 transmitters and distribute those among high school students who want to broadcast on a nonprofit basis.

During the elections every party sang the song of a civil society and of self-initiative. Well, here you have it, representatives, a civil group with self-initiative in flesh and blood. Well, what should we do?

**Electoral Law Explained, Critically Assessed**  
92EP0046A Warsaw POLITYKA in Polish No 41  
12 Oct 91 p 7

[Article by Mariusz Janicki: "How To Vote in Order To Win; The Electoral Law Is Charitable"]

[Text] Out of more than 200 countries of the world, only about 30 percent have systems approximating democratic, in our European interpretation of this notion, and then only if counted rather liberally. Therefore, democracy is not an easy system. Most of all, legislative power, representative of the people, is the essence of this system. In the process of nominating such a power, difficulties of not only a strictly political but, we might say, also a logical nature arise. Let us take a look at the parliament which the authors of the Polish electoral law in effect propose.

Let us recall briefly that in previous elections, a majority electoral law based on the principle "the winner takes all" was in effect. This year, we will elect representatives of the people on the basis of proportionality. At least this is what the authors of the law on elections to the Sejm would like us to believe. Proportional elections mean that the parliament will be a specific, virtually geometrical reflection of our society on a proper scale. It is to reflect essential political forces in appropriate proportions. Can this be accomplished at all? It can be in certain cases, under a refined and fully thought-out electoral law. However, we should immediately add that our forthcoming elections are not such a case. A substantiation follows.

Out of the 460 seats in the Sejm (incidentally, this is much too many for a country as small as ours), 391 mandates will be distributed in electoral districts (there are 37 of them), and the remaining 69 will be divided among so-called all-Polish lists. We should add right away that this time there will be no separate voting for the infamous "national list." After the elections, the State Electoral Commission will distribute mandates to individual all-Polish lists based on voting for district lists. This will occur automatically. This provides an opportunity for less popular leaders to be "pushed through" to the Sejm by their more respected colleagues from the same committee because the votes they attract "work" for the all-Polish lists. Besides, the leaders have double insurance because they also appear on district lists.

The guidelines for counting votes in the districts are seemingly simple and murderously logical. At first, the percentage of valid votes that a given party got in a certain district is calculated, and later this percentage is multiplied by the number of mandates at stake in this district. Naturally, only whole numbers that result from this multiplication are taken into account. Decimal points are omitted, or the numbers are rounded down. Mandates divided up among electoral committees are subsequently assigned to the candidates from a given

committee who have received the highest number of votes, this time individually.

Therefore, the percentage threshold for obtaining a mandate in this mode depends on the number of mandates in a given district. For example, in Warsaw, where 17 mandates are at stake, this threshold comes to six percent of support from the electorate. In this case, a certain semblance of proportionality is possible if the distribution of the votes is fortunate. The same is the case in several other large urban areas, but only there. For example, in District No. 25 (Bialystok and Suwalski Voivodships) as much as 9 percent is needed, whereas in District No. 32 (seven mandates), the trust of as many as 16 percent of the voters must be gained in order to get even one mandate in the regular mode. What happens to the rest? Of course, there is an escape clause. When free mandates remain but there are no parties that have gone over the threshold for one mandate, that is, those who after the rounding end up with a zero, decimal fractions are taken into account. The parties are ranked in descending order, and the mandates are assigned until they run out. However, most importantly, in this instance fractions assigned to all parties are taken into account, including also those who did not even come close to getting a mandate during the first procedure. In this case, the values of these fractions will be spread in an absolutely random manner. This essentially means a drawing of lots, which might be fairer anyway. Table I illustrates what the aforementioned "escape clause" brings about. It contains a hypothetical outcome in a seven-mandate district which nonetheless is quite probable as an approximation. It turns out that, in keeping with the electoral law, Party B, which has drawn 16 percent of the vote, will receive as many mandates as Party G, which has two percent in its column. In turn, Party A, which has won with a result amounting to 30 percent, or has a 15 to 1 advantage over Party G, will receive only one mandate more.

**Table I. An Electoral District With Seven Mandates (simulation)**

Parties	Percentage of the Vote	Number of Mandates Received
A	30 percent	2
B	16 percent	1
C	16 percent	1
D	16 percent	1
E	15 percent	1
F	3 percent	1
G	2 percent	1
H	1 percent	—
...		
...		

Therefore, it is easy to see that in this case any proportionality is out of the question. Let us be mindful of the fact that in our country, the most popular political

groups have a dozen or so percent of support, or at best as much as the threshold for two mandates, the average number of mandates in a district being about 10. Therefore, the rest, in its entirety, will go to electoral "demigods" with several percentage points, or just one. Therefore, it turns out that proportionality is not the flaw of this electoral law (this in itself could have given rise to doubts given our political fragmentation). The fact that this fragmentation will be enhanced further is the flaw. The electoral law flattens the results of elections in an absurd manner. It obliterates even the small personalities that have managed to enter our dull political arena. Since the majority electoral law is considered wrongful by many, what can we say about this "fair" proportionality? To a degree, our lame political life with anemic parties is to blame for this, but first of all the electoral law is to blame, which in principle was to apply only in our country and nowhere else.

However, surprises do not end here. After all, there are all-Polish lists. Let us recall that they may be filed by committees that have registered at least five district lists. At least 35 names should appear on an all-Polish list. The State Electoral Commission will assign mandates in the order in which the candidates were arranged by their parties. The mode of assigning mandates to individual all-Polish lists is interesting; it is in line with the overall intent of the electoral law which has been explained above.

Let us begin with the fact that the provision on the distribution of seats (Article 101, Point 1) has been worded in an imprecise and incompetent manner. It has mental and logical gaps that both mathematicians and linguists can confirm. However, let us try to show good will. Therefore, this is how it is: The sum of valid votes for all the district lists of a given party throughout the country is taken and divided first by 1.4 (one and four-tenths), and then in turn by three, by five, and so on by the subsequent odd numbers (this is what the mathematicians came up with). This is done separately with the votes of each committee which has managed to register an all-Polish list. The strings of coefficients generated in this manner are marked with the colors of individual parties, and are subsequently, putting it as graphically as possible, mixed. Subsequently, the 69 highest coefficients are selected from the "basket" (this is how many mandates there are for all-Polish lists) and their "club colors" are examined. Each list receives a number of mandates equal to the number of "its" coefficients among the 69 coefficients taken out of the basket.

This is actually the second, this time "all-Polish" stage of flattening the results. This method of counting votes causes even altogether marginal parties "to catch on," which under a different electoral law would not stand a chance, and quite rightly. Therefore, the electoral law is very "sympathetic" to even the least popular parties. Under the circumstances, even a very small political splinter has an opportunity to "push through" at least one of its coefficients among the first 69, and thus an

opportunity to place at least its leader on the Sejm bench. This is explained in Table II.

**Table II. All-Polish Lists**

Let us assume that we have three parties, A, B, and C. A received 42 conventional votes, B received 28 votes, and C received 14 votes. Five mandates are to be distributed. Therefore, the ratio of votes being 3:2:1, a certain concept must be opted for. Assuming a method which gives preference to proper ratios of the strongest parties, the mandates would be distributed as follows: A—three mandates, B—two mandates, and C—no mandates.

Now, for the same situation under the electoral law in effect:

Parties	A	B	C
Number of votes	42	28	14
Coefficients	30 (1)	20 (2)	10 (4)
	14 (3)	9.3 (5)	4.7 (8)
	8.4 (6)	5.3 (7)	2.8 (9)

Mandates are assigned on the basis of the highest coefficients which are accompanied by numbers between 1 and 5 (in parentheses) in the table. It can be seen that Party A got two mandates, Party B also got two mandates, and Party C got one mandate. In this case, no ratio of the number of mandates reflects the ratio of votes. This is the flattening effect mentioned. We also have to add that there will be no second round of voting, and that we will elect the Senate, an unnecessary but costly institution, on the same basis as two years ago.

Our law on elections to the Sejm is neither majority-based nor proportional, nor is it even something in between. While not a majority system, it does not have the advantages of a proportional system either, but it has all of the shortcomings. A Sejm elected on the basis of this law will not reflect the array of political forces in Poland properly. Therefore, all results of public opinion polls on the subject of electoral preferences should be multiplied by a peculiar, equalizing ELC, or election law coefficient, which smoothes out greater bulges and deviations from the norm. The electoral law implements the old slogan in a changed form: Give equally to all—because our political ambitions are the same. We should be prepared for election surprises. We may wake up to a parliament that few people would want to own up to. If we add to this the probable disastrously low turnout, it is hard to say whose Sejm and whose Senate these are going to be. This election can yet be saved only by a large voter turnout and voting for one of the truly major political forces of the country. After all, only in this manner is it possible to restore, at least to a degree, the proportional nature of this election law. Not everything can be corrected. Somewhat paradoxically, this bad electoral law requires that our approach to this election be particularly serious. We should go and vote, and form our political attachments in a mature manner. The creators of the electoral law did not pass the test; it is now facing us.

**Trade, Economic Cooperation With Ukraine  
Viewed**

92EP0047A Warsaw RYNKI ZAGRANICZNE in Polish  
No 115, 24 Sep 91 p 8

[Article by Mikolaj Oniszczuk: "Poland—Ukraine: New Possibilities of Cooperation"]

[Text] This autumn will bear fruit, in the form of a series of international economic agreements with Eastern partners. Recent negotiations in Warsaw have opened the way for concluding trade and economic cooperation agreements with Ukraine in the very near future. Economic discussions have been conducted since January. The text of the agreement on cooperation was even initialed, but the lack of clarity of the political situation in the USSR delayed its signing.

Poland is interested in neighborly and partnerly cooperation with Ukraine and with other republics: Russia, Belorussia, Lithuania, Latvia, and Estonia. They are our traditional trade partners. We place great hopes of marketing our goods, and of importing essentials, on the republics' markets. Nor is there lack of interest in cooperation from the other side. Polish export offerings are attractive for both the consumer market and the investment market. The possibilities for cooperation have not fully been taken advantage of until now, mainly because of the centralized, bureaucratized administration of trade, and archaic, artificial economic-financial mechanisms.

Reconstruction of the principles of cooperation is presently occurring. It is based on the foundations of the market economy and world trade; on calculations in convertible currency and according to current world prices; and on real, not imaginary economic arithmetic. These same principles were confirmed in an economic agreement with Russia, signed 3 September in Moscow. Poland proposes similar principles to Ukraine and other republics. They are accepted with understanding. There are, however, two structural barriers on the road to their being rapidly put into effect: the economic crisis in the USSR and the whole former CEMA, and the difference in degree of advance of economic reforms in Poland and the Soviet Union. For this reason, transitional solutions—noncash settlements and transactions, including barter—are being applied, and will be for some time yet.

We are witnessing great activity in negotiations on the part of the Ministry of Foreign Economic Cooperation, which is not waiting for difficulties to be overcome. It aims to create a new treaty-based infrastructure of cooperation with the republics. Systemic frameworks for the activity of economic units are being formed. The draft of the agreement with Ukraine—like the agreement with Russia—guarantees free access to markets on the principle of reciprocity. The countries grant each other the most-favored-nation clause as it relates to tariffs, taxes, and fees, as well as other formalities. They declare their

desire to develop cooperation between border-area provinces and regions. They want to facilitate the creation of representatives, offices, stations, and service points.

Poland and Ukraine want to be both significant and good partners, actively participating in pan-European cooperation, and they can be such. There are chances on both sides for all-round partnership; those possibilities are inherent in their economic potential. This could especially be true with regards to industry and agriculture, and in addition, also construction, transportation and telecommunication, trade, environmental protection, and tourism. Significant possibilities of cooperation are also present in the areas of services, finance, and banking.

There can be multifarious forms of this cooperation, from exchanges of goods to the creation of joint venture corporations, to joint enterprises. The exchange of specialists can also be developed. Scientific research projects can also be jointly conducted, though on different principles than in the former CEMA. Consulting services should expand in the near future; commercial houses will be formed.

The Polish export offer for the Ukrainian market is rich. Delivery proposals encompass more than 60 consolidated items, and include electromachine industry products, services, some raw materials and semifinished products, as well as manufactured consumer goods and a wide range of agricultural and food products.

And what does Ukraine offer in exchange? At the moment, no concrete proposals have been confirmed, but an examination of the possibilities, and the course of discussions to this point, show that the offer could be varied and promising. It will certainly include both raw materials and manufactured products, though an analysis of Ukraine's economic results in the first half of this year show that, in comparison with the first half of last year, a decline in production has occurred in practically all branches of the economy. There are sizable shortages in supply of the domestic market: Food production fell by as much as nearly 13 percent. Certain difficulties in equalizing Polish exports with imports from Ukraine may thus occur.

There are yet other immensely important factors which will project upon the development of Polish-Ukrainian cooperation. The first is the attraction of Western partners, and there investment capital, to these dealings. The second is the active role of Polish groups in Ukraine, and Ukrainian communities in Poland, in tightening cooperation not just in the areas of culture and education, but also in the economic sphere. Some activity is already evident in this area. A delicate, yet healthy tissue is forming before our eyes.

**Trade Prospects With Byelorussia Outlined**

*92EP0049A Warsaw RYNKI ZAGRANICZNE in Polish No 121, 8 Oct 91 p 1*

[Article by Mikolaj Oniszczuk: "Poland—Byelorussia: Direct Cooperation in New Conditions"]

[Text] Warsaw is expecting a visit from a Byelorussian government delegation, which is to sign an agreement for economic cooperation and trade. In this way, following the earlier conclusion of similar agreements with the USSR, Russia, the Ukraine, and Latvia, a new advantageous framework and treaty terms of cooperation will be formed with the eastern market as a whole as well as with these sovereign republics, to which Poland is linking great—and surely the largest—hopes for a profitable current and long-term economic cooperation.

Byelorussia is not only our direct neighbor but also a significant economic partner. Taking into account the rich traditions of cooperation, the latent economic potential of both countries, and the past development goals, as combined with the actual application of world-trade principles, that is, chiefly, trade based on convertible currencies and actual world prices, we can be justified in speaking of a new stage of restructuring and revival of Polish-Byelorussian trade relations along with the construction of a new model of cooperation based on principles of genuine cost effectiveness and direct cooperation between economic entities, that is, between enterprises, corporations, and other organizations doing business on mutually advantageous terms.

The road to pragmatic solutions, that is, the road to complete liberalization of trade and basing it on convertible currencies, along with lasting coproduction, manufacturing, and commercial ties based on joint ventures, will not be easy. Interim solutions, that is, clearinghouse settlements and barter transactions, will be needed.

The current year is a difficult period to the Byelorussian economy, and especially for industry, construction, and agriculture. Already in 1990 Byelorussian exports declined by 20 percent. No improvements are visible as yet, but hopes should be placed in the future.

The chances for an interesting and advantageous cooperation are here. Poland remains the principal partner in Byelorussia's foreign trade. To be sure, the level of Polish-Byelorussian trade is low—in the first half of this year Poland bought Byelorussian goods worth a total of only 46 million (hard-currency) rubles and sold to Byelorussian customers goods worth 51 (hard-currency) rubles—but rebuilding the level of mutual trade and its steady if slow growth will be feasible as soon as within the next two to three years.

Whence this as yet moderate optimism? It ensues from an objective appraisal of the possibilities for mutual trade and also, paradoxical as it may seem, from the realities of the present.

First, Byelorussia is a spacious market for Polish industrial and consumer goods, including foodstuffs. Polish exports there include machinery, equipment, tools, medical equipment, means of transportation, agricultural products, cosmetics, and clothing. The demand for these goods is somewhat restricted by the partners' shortage of hard currencies, but it will continue. As soon as the institutional structure of Byelorussian foreign trade is liberalized and enterprises will actually rather than "on paper" retain part of the hard currencies they earn from exports, this will open the gates to doing profitable business for many Polish enterprises.

Second, Poland shall continue to purchase from Byelorussian producers and suppliers many goods which enjoy good reputation among users. This concerns, among other things, refrigerators, freezers, agricultural fertilizers, television sets, petroleum products, and certain types of machinery and equipment.

Third, a steady growth of contacts between the new private companies is being observed. They are actively seeking good partners and interesting and marketable goods. This is an advantageous trend that deserves support. Polish exporters are participating in the fairs and expositions organized in Byelorussia. They are establishing—on the profit principle—joint ventures. Toward the end of 1990 as many as 10 such ventures have been established, and prospects exist for multiplying that number in the processing industry, manufacturing technologies, and certain subsectors of the machinery and equipment industry. Of a certainty, joint ventures in the processing of farm products will also be formed.

Fourth, a considerable and still unutilized potential is latent in border trade and border cooperation. The asset represented by the fact that the two countries are neighbors and that many Poles are living in Byelorussia can produce good effects if greatly improved institutional conditions for cooperation in the border regions are created, and if actual steps, instead of words, are taken to expand the infrastructure in these regions. This concerns increasing the number and capacity of border crossings, improving the road and transportation infrastructure, and establishing storage facilities for the agricultural and farm products destined for the processing industry.

The time for effective measures regarding the whole of Polish-Byelorussian economic cooperation is coming. The transition from words to deeds should be made as soon as possible.

**Scandinavian Construction Firms in Warsaw**

*92EP0049B Warsaw RYNKI ZAGRANICZNE in Polish No 121 8 Oct 91 p 8*

[Article by (S.Sok.): "Danes and Railroaders Will Build Up Downtown Warsaw"]

[Text] If things continue like this, the Scandinavians will end up building all of downtown Warsaw for us. A year ago the railroaders signed a contract with Swedes for

building a hotel and trade center in direct proximity to the Central Train Terminal, and on 1 October of this year the management of the District State Railroads established a corporation with Danish companies for building a second hotel and business center in the area of the old Main Train Terminal.

The foreign partners in the venture are such well-known Scandinavian enterprises as DMC International and Salinor. Eurocon Inwest, Ltd., will not only be responsible for implementing the design project but also will attend to procuring the funds and subsequently erecting the facility.

A representative of DMC International, Flemming Reeslev, told us that building the Eurocon Center is based on the idea of getting together under one roof all the services involved in world trade. The Warsaw Eurocon will include, among other things, information-conferencing rooms, a hotel offering Western amenities together with office services, a recreational and gastronomic center, and commercial offices. In accordance with the special desire of the railroaders, a railroad museum will be located in the renovated buildings of the Main Terminal.

The Eurocon Center will be designed according to Scandinavian standards but built with indigenous materials. F. Reeslev said, "We expect our architects to bear in mind that the facilities should be accessible all day long to many people. Therefore, the facilities should induce an atmosphere of luxury, efficiency, and tranquility."

The general director of the Polish State Railroads, Aleksander Janiszewski, declared that after the contract for the joint venture was signed, he expects this joint undertaking to prove good business to both the Danes and us, and to serve well the railroaders and Warsaw.

The next year will be devoted to drafting the design blueprints and implementing preparatory work, and the completion of the entire project should take two years. Its cost is estimated at 700 million Danish crowns.

#### **Finland Expands Exports to Nation's Markets**

*92EP0047B Warsaw RYNKI ZAGRANICZNE in Polish No 117, 28 Sep 91 p 5*

[Interview with Juha Metsantahtim, trade adviser posted in Poland, by Teresa Radziminska; place and date not given: "The Breakthrough of the Year? Polish Importers Have Discovered Finland"]

[Text] [Radziminska] It looks like this year may turn out to be a watershed in our trade relations with Finland, and that the traditionally highly favorable trade balance might be seriously leveled, or even eliminated. Lots of Finnish goods have suddenly appeared in Polish stores and have been quickly accepted by consumers. What is behind this sudden expansion of Finnish exports to the Polish market?

[Metsantahtim] I think that this is the effect of the free trade agreement between our two countries, which was signed in 1976. Recently, we have put a great deal of effort into propagating this agreement in both Poland and Finland. This agreement enables tariff-free access to the market for the great majority of goods. Indeed, if looking at the statistics, we note that in the period from January to July of this year, our exports to Poland have increased by 62 percent, and have reached a value of 342 million Finnish marks (1 U.S. dollar = 4.13 Finnish marks). In certain areas, the growth is quite impressive: in the case of medicine, by 600 percent; machines, by 580 percent; furniture, by 400 percent; computers, by 460 percent; and food products, by as much as 700 percent. At the same time, the sale of Polish products to Finland decreased by 20 percent, and brought Poland 473 million Finnish marks. Among other things, deliveries of coal and machines have declined.

[Radziminska] One could then say that "Kevsos"—for that is the name of our free trade agreement, if I am not mistaken—has begun to operate in only one direction, in favor of Finland.

[Metsantahtim] We now call it "Kev." The second part of the name denoted that it concerned a socialist country, and since Poland is no longer such a country, we dropped the "sos."

[Radziminska] All right, then, the "Kev" agreement has begun in the end to bring some benefit to Finland, but one really can't see how Poland has also benefitted. Last year, our exports reached only the level of 10 years ago, and will probably be lower this year. The free trade agreement theoretically assures both sides easy access to the partner's market; in practice, however, the degree of preference which Finnish products enjoy in Poland and Polish products in Finland is very differentiated. For Finland is the only country with which we have a free trade agreement, while all goods coming from the EFTA countries, and manufactured goods from the EEC, are free from tariff, to say nothing of analogous Kev-type agreements signed with Czechoslovakia and Hungary.

[Metsantahtim] I would prefer not to comment on that.

[Radziminska] In that case, could you tell us how you envision the future of the Kev agreement, in light of the negotiations conducted by Poland with the EFTA countries in the matter of trade accords?

[Metsantahtim] Time will show whether Kev can be maintained in its present form. Official talks on that topic between Finland and Poland have not yet begun. Of course, all prospective decisions made by EFTA will bind my country, as a member of that body.

[Radziminska] Let us return to the past. Finland was the first Western country which, after a freezing of credit relations with Poland for several years in the past decade, renewed state guarantees, in 1987. At that time, a very interesting formula was worked out. Obligation payments were simultaneously guaranteed by the Polish

side with the income from the export of coal. How did that system function? Is it still in force?

[Metsantahtim] This system functioned just fine. The total sum of credits given Poland by Finland in the framework of the so-called coal guarantees came to 100 million marks. Many export transactions were financed in this way, with benefits for both sides. Now the conditions have changed in your country. I understand the the Ministry of Foreign Economic Cooperation can not very well guarantee the payment of credits with deliveries of coal coming from independent suppliers, which the mines are. However, the agreement on this topic has not yet been officially annulled.

[Radziminska] Finland was also the first Polish partner which offered us the possibility of reducing indebtedness through so-called energy conversion and eco-conversion. Has the mechanism for this, established at the beginning of 1990, been made correct use of?

[Metsantahtim] It was accepted at the time that, for three years, the Polish debt could be reduced by 30 million Finnish marks yearly, which would give 90 million marks total. Last year, five plans were finally agreed upon, for a sum total of 25 million marks. The greatest of these is the equipping of the cellulose and paper plant in Swiecie with causticizing devices; another important project is the organization of waste processing by the power plant in Krakow. The purchase by the Polish Ship Salvage Enterprise of equipment to clean oil slicks from the water surface has also been financed as part of eco-conversion. Talks on creating a joint venture, by the Finnish firm KWH-TECH and the Polish firm SPEC, to produce insulated pipes for city heating systems. In this case, the value of investments made by the Polish side could be deducted from the debt. Around 20 other projects are being negotiated. The problem, however, is that not long ago we lost the Polish chairman of our working group, the so-called Task Force Group, who was the representative of the Foreign Debt Service Fund [FOZZ]. As we know, FOZZ was dissolved, and the Polish side has yet to name a new chair. The whole matter has been thus sort of "put to sleep."

[Radziminska] Since we are talking about eco-conversion and energy conversion—how much do we owe you? Finland will, of course, conform to the Paris Club's decision to reduce the debt by 50 percent of the aggregate sum?

[Metsantahtim] Poland's total debt to Finland at the end of 1990 came to 440 million Finnish marks. My country, as a member of the Club of Paris, will of course reduce Poland's debt by half. Three different methods of conducting this operation are now being weighed. Additionally, as we said before, we are prepared to carry out eco-conversion and energy conversion as part of the agreed-upon amount.

[Radziminska] Finland finds itself, as does Poland, in serious straits as a result of the breakdown of trade with the Soviet Union. Your country is enduring a crisis such

as has not been seen there for years; unemployment is rising swiftly. Do you think that your economic strategy could undergo fundamental change as a result?

[Metsantahtim] We will try to maintain and preserve our relations with the Soviet Union, but the situation presently indeed does not appear to be the best. Our exports to the USSR have declined by 60 percent in the period from January to July, and imports have declined by 25 percent. We have before us, therefore, a very great setback which affects the state of Finland's economy. We are conducting negotiations, and are searching for ways out of this impasse.

[Radziminska] Surely you are not thinking about a return to clearing?

[Metsantahtim] Rather not. However, every solution is basically possible, if it does what it is supposed to.

[Radziminska] Could this problem affect a change in Finland's position on the matter of joining the EEC?

[Metsantahtim] At the moment, we are very interested in a favorable conclusion to the talks between the EEC and the EFTA on the matter of creating a so-called European economic space. This should be finally cleared up within a month. It is true that there remain several problems to be resolved—among others, in the areas of fishing, transit, and regional assistance. I trust, however, that a compromise solution can be found. If, however, this business should fail, then, I think, there will be no choice, and Finland will have to join the community sooner or later.

[Radziminska] Finally, I would like to ask you about the secret of Finland's success. Finland is a country which developed so quickly after World War II that it is sometimes compared to Japan. Could Poland take advantage of your experiences in some way?

[Metsantahtim] I wouldn't think that there is some special secret hidden here. We owe our success simply to hard work. In the past, Finland was a poor, agricultural country. After the war, we had to pay huge reparations to the Soviet Union; we could do this in part in the form of delivery of machines and appliances. It was necessary, therefore, to develop industry; there was no other way. We decided on advanced technology, on specialization in selected areas, and on export, which now plays an enormous role in our economy. I think that this road is open for all countries which want to travel it.

[Radziminska] Thank you for our conversation.

#### **Trade Prospects With Ivory Coast Profiled**

92EP0049C Warsaw RYNKI ZAGRANICZNE  
in Polish No 122, 10 Oct 91 p 7

[Article by (AK): "West Africa—A Notable Market"]

[Text] Polish goods have been reaching Ivory Coast, Guinea, Senegal, and other West African countries for

many years. To be sure, that region plays a minor role in our foreign trade, but it of a certainty merits interest as an alternative market for many Polish exports, as well as a source of raw materials and farm products.

Among the West African countries stands out Ivory Coast (official name: Cote d'Ivoire), which is one of the most highly developed countries in the entire Black Africa. Its economy is mainly based on farming, which comprises the cultivation of cocoa, coffee, rice, maize, cotton, pineapples, bananas, and other crops, as well as fishery. Its processing industry is fairly well developed for an African country. The local producers supply, among other things, liquid fuels, cement, textiles, chemicals, soap, cosmetics, and also edible oils, beverages, and other foodstuffs.

A weakness of Ivory Coast's economy is that it is greatly dependent on exports of cocoa and coffee, and this, given the low world prices of these commodities in recent years, has become the principal cause of the already prolonged payment and economic difficulties. The government in Abidjan is trying to counteract these unfavorable trends by altering the structure of the economy and liberalizing its operating principles. These measures are expected to result in a revival whose first signs can already be observed this year.

That would promote the growth of trade with that capacious market, especially considering that it is characterized by the possibility of selling there many goods on condition that they be speedily available and competitively priced. The local companies there also are open to proposals for setting up joint ventures and, given the ties between Ivory Coast businessmen and the entrepreneurs in other Francophone countries, this is unlocking additional prospects for economic cooperation.

The scope of operations of the Polish commercial attache in Abidjan was expanded in 1989 and 1990 to include Burkina Faso, Mali, Senegal, Gambia, Guinea-Bissau, and the Cape Verde Islands, and also temporarily Liberia, Guinea, and Sierra Leone.

The economies of these countries too are dominated by farming. Their principal crops include cotton, rice, peanuts, manioc, and fruits. In Burkina Faso and Mali livestock raising plays a major role. These countries also are endowed with natural riches. Guinea and Guinea Bissau contain bauxite deposits, and the latter moreover contains phosphorite deposits. Mali has gold, diamonds, and salt; Senegal, phosphorites and salt; and Sierra Leone, diamonds and salt.

Polish exports to Ivory Coast are dominated by such goods as cement clinker, barley malt, foodstuffs, household articles, chemicals, lighting fixtures, tools, textiles, and structural fittings. We import from that country principally cacao beans, along with sporadic and small quantities of coffee and lumber.

The commodity structure of Polish exports to the other countries handled by the Polish commercial attache in

Abidjan is similar, except that, e.g., this year two fishing vessels were sold to Liberia and aviation services provided to Mali.

Last year direct and indirect exports to Ivory Coast exceeded US\$6.3 million, while imports of cocoa beans from that country amounted to more than 3,200 metric tons' worth [as published], about 2.5 million GBP [Great Britain Pound]. For the first seven months of this year so far Polish exports, both direct and indirect, to all the countries named above reached about US\$60 million; the principal recipients were Liberia, Ivory Coast, Guinea, Mali, and Senegal.

According to the Polish commercial attache in Abidjan Andrzej Kulesza, in addition to promoting the exports of traditional items, his office will attempt to introduce on the Ivory Coast market goods whose exports we began to promote recently: This concerns, among other things, potatoes, onions, chemicals, food concentrates, and steel rods, as well as products which we consider to be marketable provided that they are attractively priced, such as powdered milk, paper, and fish.

In view of the substantial and still growing demand for fish on the Ivory Coast market, we have begun to look into the possibilities for joint fishery ventures. It is worth noting that fish are the principal source of animal protein for the local population: Their per capita consumption there exceeds 20 kg annually, and meeting that demand requires imports of more than 150,000 metric tons.

Thus, the eventual formation of joint ventures based on the use of Polish manned fishing vessels would be fully warranted, the more so considering that the economic authorities in Ivory Coast are placing strong emphasis on promoting fishery, and local partners already have fishing licenses enabling them to operate in the fish-rich waters of the West African coasts.

The office of the Polish commercial attache in Abidjan is focusing its economic and commercial activities chiefly on:

- Promoting and advertising goods on behalf of Polish exporters and producers.
- Providing information on the possibilities for the sale of goods and services on the West African market, along with information on potential customers, the operating procedures and techniques of the competition, the requirements of that market, its status, and the anticipated situation as regards foreign trade.
- Assisting Polish companies in advertising, negotiations, and conclusion of contracts, in both direct and indirect exports.
- Providing exporters and producers with information and comments on goods shipments.

The office of the Polish commercial attache also is paying particular attention to exploring new and more

effective forms of action that would allow for the opportunities afforded to the growth of bilateral cooperation by the ongoing abolition of monopolies in Polish foreign trade and privatization of Polish enterprises.

According to that office, other countries in the region in addition to Ivory Coast that especially deserve attention are Guinea and Senegal.

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Companies desiring to avail themselves of the knowledge, experience, and commercial contacts of the Polish trade mission in Abidjan are requested to contact it at the following address:

Ambassade de la Republique de Pologne Bureau du Conseiller Commercial D4 BP 308 Abidjan 04 Cote d'Ivoire Telephone: 44-12-2b 44-10-67 Telex: 26114

#### **Market for Nation's Apples Expanding**

*92EP0049E Warsaw RYNKI ZAGRANICZNE in Polish No 122, 10 Oct 91 p 8*

[Article by (KAL): "Apples for Natural Gas, Natural Gas for Free?"]

[Text] "So we shall ship apples or potatoes to the USSR. In return, they will pump additional amounts of natural gas to us. Customers for that gas should pay for it so that their money could reach us and be transmitted to producers. Yet, these customers have been in arrears for many months with their payments to the gasworks. What would prompt them to pay now?" said the director of Hortex, Ludwik Olejarcz, commenting on the recent barter agreement with the USSR. In his opinion, the agreement in its present shape is not realistic.

Even if that would be merely a question of delays in payments, a six-month delay would mean having to double the prices of our products or pay equivalent subsidies, even in face of the forecasts of fairly moderate inflation next year. Since our government does not want to and cannot (budget deficit) provide guarantees of the financial aspect of the entire operation, the sole way out would be to base our exports on the Western credits granted to the USSR.

In contrast, recently the sales of our apples to the West have been excellent. The steep decline in harvests in the EEC by about 30 percent has prompted the interest of Western exporters in our apples for processing into apple juice concentrate. As a result, a shortage of apples for Polish processing plants is beginning to loom. Even worse, in the opinion of Hortex, this may mean problems in fulfilling the already signed preliminary contracts for exports of apple juice. Hortex's proposals that our government brake the exports of raw apples, since they are needed domestically as a raw material, met with a refusal from the doctrinaire liberals in government. It seems that, to the government, possible problems with yet another declining industry are less important than

breaking some textbook rules. Western competitors of our producers and exporters of processed fruit products are certainly viewing this with a mild surprise and quite natural satisfaction. This also means that they will have to pay less for eventually taking over the Polish companies.

After many years of effort Hortex can finally expect to be soon granted the status of a legal entity. This will make legal the company's takeover of the entire assets of the former Central Association of Produce and Apiary Cooperatives, to which PEI Hortex used to belong. This will also make possible translating into reality ambitious plans relating to, among other things, getting foreign capital to participate in building a large supermarket in Warsaw.

#### **Shipyards Continue To Receive Foreign Orders**

*92EP0049D Warsaw RYNKI ZAGRANICZNE in Polish No 122, 10 Oct 91 p 8*

[Article by (S.Sok.): "Shipyard Workers Have Not Forgotten How To Build Ships: Orders From Finland and France"]

[Text] The orders being received from foreign shipowners demonstrate that we still know how to build ships. It is worth noting that these orders are for modern ships that are extremely intricate to build.

The Parisian Commune Shipyard is building four B-562 bulk cargo carriers for the French shipowner Louis Dreyfus—the largest vessels ever to be constructed by the Polish shipbuilding industry. The chief designers of these carriers, Piotr Filipp and Jerzy Straszynski, have proposed many innovative technical and design solutions. Among other things, the hatch covers will be operated with the aid of a prototype hydraulic system.

The ships will be equipped with Polish-built Cegielski-Sulzer 13,300 HP marine engines. They will measure 283 meters in length, 44.9 meters in beam, and 17.8 meters in draft. Their load capacity is 150,000 tons and their speed, 14 knots. Cargo space consists of nine holds with a combined capacity of 184,000 cubic meters.

Modern ships will also be built by the Gdansk Shipyard. They will be the newest-generation B-500 and B-501 type container ships. The B-500 models were designed by Marian Hermula. The first of these ships, which were commissioned by Delmas, a French navigation company, will be released to its owner in 1992. We will build only two of these ships, because the French curtailed their order and commissioned the Yugoslav shipyard in Rijeka to build two other ships. In a word, we turned out to be less competitive, but unfortunately the terms of trade contracts are not public.

Containers will have to be adjusted to carry cargoes to African ports and will therefore be equipped with their own cranes and cabins for dockers. They measure 205 meters in length, 32.2 meters in beam, and 12 meters in

draft each. They can accommodate 1,008 below-deck containers and 1,115 on-deck containers each. Speed: 20 knots. Crew of 27 plus berths for dockers. One 27,220 HP Cegielski-Sulzer marine engine. Another new design is that of the ships designed by Jan Ostrowski, which will be built for FG Shipping, a French navigation company. The first of the four such ships ordered by that company is to be completed in 1993. They will serve chiefly to carry lumber-industry products on routes between

Finnish and German ports. These ships will be automated and computerized and are to be in the highest ice-breaking class.

These ships are to measure 183 meters in length, 28.7 meters in beam, and only 7.4 meters in draft. They will have four cargo decks and a crew of 21 and be driven by four 5,760-HP Cegielski-Sulzer engines each.

## YUGOSLAVIA

**Impasse in Serb-Croat War Viewed**

*92BA0062C Belgrade NIN in Serbo-Croatian 4 Oct 91  
pp 16-17*

[Article by Aleksandar Tijanic: "The Serbo-Croat War: The Solution in a Version of the Maginot Line"]

[Text] This weekend, as we used to call the end of the week before the war, will provide an answer to only one essential question: From what military positions will the two sides go off to the anticipated negotiations with the European Community serving as mentor? The offensive of the Croatian forces, which they have embarked on under the direct influence of Janez Jansa and Anton Bebler, two Slovene experts in miniwars, has resulted (the Serbs say—finally) in an Army counteroffensive which has threatened Dubrovnik, Vukovar, Osijek, Pakrac, and Zagreb, and, in its final form, seems to have made visible the network of trivialization of the state which we regarded to be peace.

This week's announcement by Vladimir Seks that the "Serbian Chetniks," which is a euphemism for Serbs, will have to go "from or under the soil of Croatia," and then the position from the same author in his "collected works" that "only Croats or only Serbs will live in Eastern Slavonia after the war," and the assessment of the governor of Osijek, Branimir Glavas, that "90 percent of the Serbs are disloyal to the Croatian state, and a majority have put themselves on the side of the Chetniks, which is why there is no living together with the Serbs in Croatia," along with the proposal of Matija Cipric, an automobile mechanic from Zagreb, who now holds the position of the commander of the "zenga"—the company of soldiers in Jasenovac—"If it comes to that, we will make a new Jasenovac," have resulted in some very interesting political gymnastics.

Certain of the more lucid Croatian analysts in vain issued loud warnings two days ago that theories about the impossibility of Serbs and Croats living together are throwing a bad light on the Croatian state and are destroying its "European ratings," actually revealing the true nature of Tudjman's "unicameral" system. Behind that "lucidity" of the analysts, who have made a crash effort to contribute to what we are living in, there is concealed the correct calculation: If the Croatian politicians and generals themselves speak about "moving or eradicating" the Serbs, the job of the European judges will be considerably easier. In that case, because for several centuries this continent has not had any resettlements, there remains only to draw a new, internationally recognized line between the two nations, and that would be approximately where the Serbs want it.

**Consensus in Serbia**

At the same time, the bestiality on the front, the dismemberment of the soldiers in Karlovac and theories about going "beneath Croatian soil" have made it possible for the Serbian opposition to take on a little more life and, this time getting out ahead of official Serbia, which is

hampered by considerations toward Lord Carrington, demanding definition of the nation's objectives in the war. Not only that, but in a press conference on Wednesday Dragoljub Micunovic, who has been silent about this war for rather a long time, almost in the fashion of Slobodan Milosevic, directly called for the withdrawal of the Army to the "Serbian line" in Croatia to be accompanied by creation of a so-called "ethnic cordon." That border might be called with just a little exaggeration the "Magino(t)vic Line." An absolute consensus among the government, the opposition, and Serbian public opinion has for all practical purposes been reached on this demand in Serbia. After all, in this phase of the conflict it hardly makes any difference anymore how the war began, all the talk is only about how to end it? Put more precisely, what are the minimum requirements below which the two sides will not consent to any kind of "rotten compromise."

Judging by the fierceness of the clash that took us into the weekend, in terms of the number of casualties and turnovers on the front, the two armies are becoming aware of the inevitability of the "Magino(t)vic Line." This has become clear even to General Kadijevic. But things in the Army are not so clear as one might conclude from the simple orders and instructions of the staff of the Supreme Command. That is, from the fact that Admiral Brovet, who, Belgrade rumor would have it, had been placed "in isolation," in the meeting of the Presidency and from the fact that the information service of the Ministry of the Army has officially reported that the collegium of generals will not make any very spectacular changes in personnel (Should it have said "any further changes"?), it follows that the military leaders have concluded that any major change in the atmosphere, which is by no means rosy, would only be harmful to a fractured organization. And another thing, the fact that none of the generals whom Serbian public opinion is openly accusing of "treason" left unseen after the gray-olive collegium is confirmation that the top military leadership believes that it is not a question of treason at the top level, but of something far more far-reaching—tragic incompetence!

But even that conclusion about the "unprofessional" behavior of the commanders in chief and the not exactly splendid references earned by their subordinates has been sufficient reason for removal. The generals have decided—I repeat, for now—to stand together or fall together. The formulation of their objective in the war, although they are not presenting it to the public, probably comes down to the most painless withdrawal of equipment and personnel from the "Magino(t)vic Line," along with simultaneous evacuation of families and retired military personnel from the territory of Croatia. The forecast that Kadijevic is "shortening the front" and abandoning garrisons and military bases all over Croatia (the reference is to facilities outside the Serbian ethnic line) are no longer mere guesswork. Of course, and here the generals were tardy, because in the battles for the military bases and heavy armament N-N-military personnel have lost their lives according to the following

formula. Tudjmanites of all persuasions (and on the other side of the front the best fighting part of the Army is made up of various party-organized and volunteer guards) have drawn up the following classification: Senior officers who do not surrender their garrisons are killed, as a rule shot from behind; reservists in military uniform are killed by cutting their throats; recruits who have not distinguished themselves shooting are arrested, and some will be released with great pomp and ceremony in the media.

#### The Army's Faults

If at one time Kadijevic thought about some independent political game, allowing Milosevic and Tudjman to bloody themselves to a measure which would weaken them within their own nations and would again bring about some supernational political arbitration assisted by the Army, now he has no choice. Foreign analysts say that because of the ferocity of the Croatian attacks and the number of soldiers killed, "he has taken all of Croatia hostage," which, they say, is evident from the announcement of the staff of the Supreme Command. Nevertheless, military experts believe that the Serbs have easily liberated the territory in which they hold ethnic majority, but that now things are going rather hard at the front, which has gone beyond the imagined line of division.

The extent of the professional chaos in the Army is demonstrated not only by cases in which the "zengas" have obtained numerous tanks, personnel carriers, cannons, and ammunition to wage war for a year, but there is talk about naval warships being captured, heavy artillery buried on the Adriatic coast, and, directly disastrous if it is true, Croatian sources say that at Zrnovnica, near Split, in the modern underground base there, a sizable quantity of exceptional Swedish ship-ship or land-ship missiles have been captured with a range up to 150 km (Model RBS-15). It is possible that by some coincidence of various circumstances in the war the other side might obtain some considerable booty, but it is not possible for a professional intelligent army not to destroy all the guns that have been captured the same day with a powerful air strike. Especially since Zagreb still does not have aircraft. But Kadijevic's elite branch—the Air Force—has not been operating any better than the disoriented infantry: It is likely that the number of planes brought down is exaggerated as given by sources in Zagreb (seven helicopters and 41 planes), but the "blue wings" have been notably reserved in the face of the "stingers" and "arrows." Still stranger is that planes that cost tens of millions of dollars have not been equipped with signal devices to warn the pilot that he has been caught in the beam of enemy radar, and then even after the Slovene war helicopters and aircraft were not equipped with decoys that would deflect antiaircraft missiles from their course, and finally, from the beginning of the conflict, dozens of transport helicopters (able to carry an entire platoon of soldiers) have not conducted a single vertical maneuver, which is the basis of any sophisticated military undertaking. Witnesses speak

even of amateurish tactics in the attack of tank units, a lack of synchronization between artillery and infantry, poor operation of satellites and quartermasters, so that it will be very interesting to see how Kadijevic holds up against that segment of Serbian public opinion which is speaking of him as the guilty party even in the Serbian Parliament.

But, as de Tocqueville said so well, the remedy for the faults of an army cannot be found in the army, but in society. So that those who released violence into politics now have what they wanted: Those who were against it have been forced into the choice of whether their nationality is to win or lose the war. That cannot be called a choice when from the Serbian viewpoint friends come and go, but enemies merely congregate.

#### Details of JNA Strategy Against Serbia

92BA0079A Zagreb *VJESNIK* in Serbo-Croatian  
7 Oct 91 p 8

[Article by Aleksandar Milosevic: "How the Top Military Leadership Prepared the Aggression Against Croatia"]

[Text] Viewers of Belgrade Television's First Program were able to see a program on Wednesday evening produced by the Federal Secretariat for National Defense, that is, by its news and information department and "Zastava Film." These are institutions which have obviously specialized in the production of political horror fabrications such as was done in the attempt to create the "Spegelj Affair." Announced as an exclusive, the program was actually a taping of some of the debate in the Yugoslav Presidency with the top military leadership in sessions on 12, 14, and 15 March of this year. The business taken up in those meetings of the Presidency, which was meeting in its function as the Supreme Command, included the Army request for adoption of emergency measures in Yugoslavia, increasing the level of combat readiness of its units, and all of this with the alleged objective of resolving the crisis in Yugoslavia by peaceful political means.

It is clear from what was shown to viewers that most of the participants in that meeting did not know that its proceedings were being filmed for television. This is even clear from the camera angles, the framing, and also the technical quality of the picture. So, the Army and its internal departments secretly filmed the proceedings in a meeting of its own supreme command, which is certainly a case without precedence in recent European history. Nevertheless, this is not as interesting as the debates among the various participants in that meeting and the views and assertions presented. It is clear from what was said that aggression against Croatia was prepared even then, in mid-March of this year, and that the decision of the Presidency to institute emergency measures was to be only a cover to conceal the Army's action from the world.

**The Army's Transparent Thesis**

The authors of the program did not, of course, offer the entire transcript of the meeting, nor all the discussions, but only those parts which could serve the thesis that was taken as a given: Croatia is breaking up Yugoslavia, Croatia imposed the war, Croatia must pay for it. But regardless of the work that went into proving this thesis by cutting and pasting the debate, it was in vain: Presentation of the proceedings in the meeting made the intention of the top military leadership altogether transparent.

The first meeting of the Presidency as the Supreme Command with the military leadership, which figured as the Command Staff of the Supreme Command, was held on 12 March of this year. In addition to those who were members of the Yugoslav Presidency at that time, the participants in the proceedings included Generals Kadijevic and Adzic, Admiral Brovet, and several other high-level officers. It is not known whether these officers took an active part in the debate, because their statements were not shown. The first meeting on 12 March was not attended by Dr. Janez Drnovsek, and the meetings were chaired, at least formally, by Dr. Borisav Jovic, at that time president of the Presidency of Yugoslavia, although it was General Veljko Kadijevic who did most of the talking.

In that first meeting, the federal defense minister presented the demands of the Army in nine points which came down to the following: proclamation of an emergency in the country, increasing the combat readiness of units, giving the Army a free hand in performance of police work, and removal of legal provisions which in the Army's assessment were contrary to the federal Constitution. That first meeting ended with a vote in which Borisav Jovic, Jugoslav Kostic, Nenad Bucin, and Riza Sapunxhiju favored the proposal of the Army, while Stipe Mesic, Bogic Bogicevic, and Vasil Tupurkovski voted against. Because five votes were required to pass the decision, the proposal of the top Army leadership did not pass, which Borisav Jovic, visibly dissatisfied, took note of at the end of the meeting. The statement made by Nenad Bucin, who at that time was the representative of Montenegro in the federal Presidency, was interesting.

"I do not know what really is the purpose of these political events. It seems to me that an attempt is being made because of the world to create some kind of image of democracy and democratic spirit, which is really dangerous, because it is leading toward disintegration of Yugoslavia. I do not know whether those who are demanding some kind of democracy are aware that they are working in favor of the interests of foreign powers," Bucin said.

Here is some of what Kadijevic said:

"Every possible enemy of socialism and a unified Yugoslavia is on the scene in Yugoslavia. Ustasha, Chetnik, Ballist, White Guard, and all other elements are active

and raising their heads. We are in a situation of fighting against the same enemy we fought in 1941."

That is what Kadijevic said on 12 March of this year. The Army which he still commands, however, is not known to have fired a single round or undertaken any action whatsoever against Chetnik elements.

The session continued on 14 March: That meeting was attended by Dr. Janez Drnovsek as well, representative of Slovenia in the federal Presidency. On that occasion, quite a bit was said about Slovenia's views concerning the Army, and a rather sharp verbal conflict broke out at one point between Kadijevic and Drnovsek. In a tone and behavior more befitting a buck sergeant in the police, the Army general was arrogant and harsh in addressing the member of the State Presidency, which is his commander in chief under the Constitution.

**Adzic: "We Are Obeying Your Orders"**

A dispute broke out over Slovenia's position concerning the Army under peacetime conditions.

Kadijevic: If the views of your republic are adopted, that would signify the end of the peacetime army. Please be clear on whether you favor the existence of a peacetime army....

Drnovsek: I do not know why you ask such a question, and I do not understand in what context it is being asked.

Kadijevic: You just answer me whether you favor a peacetime army or not.

Drnovsek: I do not know why that question is being asked....

Kadijevic: You just answer, and when you answer, then I will give you the reasons why I am asking it.

Drnovsek: You cannot talk that way.

Kadijevic: Then I will tell you why I am asking you.... If what Slovenia is seeking were to be adopted, that would be the end of the Army, but also the end of Yugoslavia.

Nor did this meeting of the Presidency as the Supreme Command and top military leadership, which figured as the staff of the Supreme Command, adopt a change. The Army's requests for proclamation of emergency powers did not pass. Once again Borisav Jovic insisted that the Army's decision be adopted, because, he said, this was crucial to whether the Presidency could function at all as the chief of state. Gen. Blagoje Adzic also spoke on that occasion.

Adzic: We are the only institution in this country that obeys your orders. No one any longer is obeying you as the Presidency in this country, but rather individuals and institutions in the republics are acting directly against your decisions. Unless you support us, you will find yourself in a situation from which there is no way out....

After Borisav Jovic adjourned this session of the Presidency, Army Gen. Kadijevic asked for the floor.

Kadijevic: You have adopted the decision which you have adopted. However, as the staff of the Supreme Command we will meet after this and examine all the possibilities that arise from your decision, and you should think that over. It would be better, then, for us to meet again tomorrow, not to interrupt this session, and on that occasion we will familiarize you with the decisions of the staff of the Supreme Command. It would be better to meet tomorrow at 0900 or 1000 hours.

#### Removal of the Last Mask

The third part of the session was held on 15 March, and at that time the general removed the last mask from their face. Adzic, Kadijevic, and Brovet, without the slightest shame, threatened that if the demands of the staff of the Supreme Command in the country were not adopted, civil war would break out, the Army would be unable to perform its tasks as defined in the Constitution, and antisocialist forces would become stronger and stronger. Slovenia and Croatia would adopt unilateral decisions to break up Yugoslavia and threaten the rights of the other nationalities.

Borisav Jovic opened the meeting. He said right at the outset:

Jovic: I want to familiarize you with the position of the Republic of Serbia concerning the situation in Yugoslavia. Because the rights and safety of Serbs in other republics are threatened, because the Serbian people in those republics are unarmed, we will be concerned about protecting Serbs in all the areas where they live. Serbia will be forced to form its own republic army in order to protect the bare-handed and threatened Serbian people living outside the territory of the Republic of Serbia.

#### "Boro, You Are Talking Nonsense"

In the course of the meeting, there was a sharp exchange between Borisav Jovic and Stipe Mesic, who at that time was vice president of the federal Presidency. At one point, Jovic addressed Mesic in a raised voice and very nervously:

Jovic: Just a minute, now I am going to tell you something. You in Croatia are adopting laws suspending the federal Constitution and federal legislation. You are putting the Serbs in a disenfranchised position. You are illegally arming against the Serbs in Croatia and breaking up Yugoslavia. Tell me what that unconstitutional activity is all about, what is the point? The Serbs have the right to live in Yugoslavia, and if anyone wants to secede, then the Serbs have the right to live in one state regardless of what it is called. You in Croatia have to understand that.

Mesic: Boro, you are talking nonsense. What do you mean the Serbs are being put in an unequal position?

And when you speak about an unequal position, think about what has been done in Kosovo.

Jovic: If for you the decision of the Kosovo Assembly to proclaim a republic is legal and legitimate, then we know what premises you are operating from. That is against the Constitution of the Republic of Serbia and against the federal Constitution....

Mesic: There are a great many things in Kosovo against the Constitution....

At that point, Riza Sapunxhiju, at that time Kosovo's representative on the federal Presidency, entered the debate.

Sapunxhiju: What is happening in Kosovo has nothing to do with the Constitution, a completely unconstitutional situation prevails there. Please tell me what my position is in this Presidency. Tanks have moved against the schools there and against children in elementary schools.

Adzic: Please, Riza, mind what you say.... There have been no tanks at all moving against schools in Kosovo.

Sapunxhiju: There were some kind of armored vehicles in Urosevac.

Adzic: But they were not tanks, in our country only the Army has tanks, and the tanks in Kosovo did not move against the children. I would like that to be known.

#### Kadijevic Issues a Threat

Nor did the third attempt pass to adopt the demands of the staff of the Supreme Command to issue special powers to the Army. After that, Borisav Jovic, who chaired the meeting, noted that by this decision the Presidency was casting Yugoslavia into disintegration and civil war. Nevertheless, once again it was Gen. Kadijevic who spoke last.

Kadijevic: You have adopted the decision as you saw fit, and you will take the consequences of it. As the staff of the Supreme Command, we will examine it in detail, study all the consequences, and as an army draw certain conclusions from it as the basis on which we will act....

From what happened in Slovenia and later in Croatia, it is clear what conclusions the Army and Gen. Veljko Kadijevic personally drew in March of this year. It was clear from the statements made by certain military leaders in the three dramatic meetings of the Presidency of Yugoslavia that the top Army leadership would go all the way, not stopping short of a coup d'etat nor total warfare with endless devastation and human casualties. Even though some of the participants warned the generals of all the international consequences of a mindless rush into civil war, the top military leadership turned a deaf ear to that. In carrying out a coup d'etat with the help of the generals, the Serbian bloc in the Presidency has actually made the last desperate move of a nonexistent Yugoslavia. After that, there is no longer any

Yugoslavia, nor is there any democracy nor laws nor justice. It is precisely in those Balkan regions from which the war came, in precisely those areas of the Balkans from which the war originated, justified by defense of the Constitution and legality. Like latter-day Erostratuses, the Serbian bloc in the Presidency and its Army allies have decided to go down in history for their evil and mindlessness. They certainly have secured that place for themselves.

### Desertions Linked to Ill-Defined Serbian Goals

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pp 9-10*

[Article by Milan Becejic: "Reservists: Heroes and Oxen"]

[Text] In the increasingly frequent condemnations of "deserters" and "traitors," one important thing from the tradition of the Serbian people is intentionally forgotten—the readiness to wage war for that Serbia which can be seen from certain mountains, say, Cer, Kosmaj, Divcibar.... Children learned long ago that proletarian units in the NOR [National Liberation War] were composed above all of Communists, because it was difficult to convince the Serbian peasant to wage war hundreds of kilometers away from his land for what at that time was still an imaginary Yugoslavia. The strategists of the war have obviously overestimated the range of the rapid-fire ethnic excitement, as well as the fear that is a real phenomenon of civilization and is normal for the lengthy period of peace which we have had here at the tail end of European conformity.

Speaking about the phenomenon of "desertions," General Tomislav Simovic, Serbian defense minister, made a tactless, contradictory, but useful observation: "...it has been quite a few years now since a shot was fired in the Balkans. With generations born in peacetime, it is not a simple matter to overcome the psychological crisis and experience the baptism by fire." The general did not offer a formula for getting out of the "psychological crisis." Does one get out of it by perpetuating the war? Does one do it with gloomy and irresponsible threats that even Zemun is in danger (Pavic Obradovic)?! By declaring war on the Croats? Is it done with further propaganda threats and pronouncements about penalties for "traitors"? Is someone, finally, going to explain what is being betrayed: Yugoslavia, the JNA [Yugoslav People's Army], Serbia, Serbism, socialism...?!

Ideological and ethnic categories have obviously become mixed in the litany of values, just as they are mixed up in the heads of those who are calling for war. When Gen. Simovic sends out his message, stronger than the request for mobilization—"every citizen of Serbia is offered an opportunity to make his contribution to the defense of Serbism"—he is forgetting two things: first, that all citizens of Serbia are not Serbs, and, the much more essential thing, that no one yet has dared to define

Serbian national interests, nor to define the ethnic borders of Serbia in the terms of military geography. Demarcations of that kind, it is clear, would immediately determine something else—the line where the Yugoslav Army ends and the Serbian Army begins. And that distinction is followed by one that is still more serious: a verification of Serbia's policy both before an international jury, but also before the citizens of Serbia who have been supporting it.

### Two Detonations

Whatever pains are being taken in the top military leadership to prove that the Army (JNA?) is not one of the parties to the conflict (although in that contradiction they risk being accused of ethnic bias), objectively it is. That process began with the Slovene trauma, which has remained unclear and seemingly suppressed. One story leaked out of the SSNO [Federal Secretariat for National Defense] which no one has dared to deny, but which no one can stop. The movements of the JNA in Slovenia were accompanied by two contradictory orders. The first allegedly came from the FEC [Federal Executive Council], as part of an agreement on 12 points under which the federation would operate temporarily, and the intention was to control border checkpoints. This order was accompanied by the authorization to use weapons if necessary. As a matter of fact, all border crossings in Slovenia were occupied except two. If we are to believe these sources, the second order came after that—from the top military leadership, and this was accompanied by a recommendation that weapons not be used. If we are to assemble a mosaic from these (un)reliable reports, there are two things we need to remember. First, the Milosevic-Kucan pact in February clearly defined the mutual relation between Serbia and Slovenia, and its essence, put simply, was nonaggression. Serbia would not oppose Slovenia's emigration from Yugoslavia, and Slovenia would not interfere in the relationship between Serbia and Croatia. That pact was in essence operative until the FEC intervened with its ambitions of saving the Federation. The unplanned and senseless bloodshed in Slovenia, along with the military fiasco of the Army, was a consequence both of a misunderstanding, but, it is possible, also of a dirty game played by the Slovene politicians, who in that murky situation wanted to strengthen their positions by some kind of military triumph. Second, at the time when the second order was issued, Gen. Kadijevic was sick.

Be that as it may, the postwar myth of the strong JNA has been eroded, and the greatest decline of its prestige has been precisely in Serbia. The definitive collapse of that reputation was halted in the period when the Army took over the role of protector of Serbs living in Croatia, that is, of a "buffer" between the parties to the conflict. Certain decisions of the SFRY Presidency favored the Army in this, but much more came from the narcissoid policy of the Croatian Supreme Command and its wild warriors. Not only the Army's resoluteness, but also the clear positions of the top military leadership were

impressive in that period, to whatever extent that decisiveness can also be attributed to an awakened professional vanity, which had been injured in Slovenia. And then the top Army leadership was shaken by two serious explosions. The first deepened the ethnic split in the JNA once and for all, while the second initiated the confusion in defining the constitutional objectives of the JNA and its objectives in the war.

#### Returning the Favor?

An army which has 360 generals, generals who reached their high ranks more by their scribbling than professional acumen, can be a powerful army only in an ideological sense. In a serious and strong army, there can be no justification for a split and treason of generals on an ethnic basis, especially when we realize that in the JNA there are (were) only some 80 generals of Slovene and Croatian nationality, and their loyalty could be sufficiently monitored and evaluated through the rather powerful military intelligence service. In any case, was it not that ever less clear role of the Army in development of the Yugoslav crisis that fostered that betrayal by the officers? In Slovenia, the JNA was defending Yugoslavia, in Croatia it added to that role the desire to prevent an ethnic conflict and to protect the Serbian population from the violence of Croatia's paramilitary formations, and then after the war broke out, it reduced its role to protection (and then breaking the blockade) of garrisons and military facilities—that is, protection of its own self. In all of this, the top military leadership never denied a single time the accusations that it was directly aiding (with both weapons and actions) the Serbian population in Croatia and, as a practical matter—the policy of Serbia. But the top Army leadership did not clearly confirm anything like that either. Silence on the first basis resulted in the internal disintegration (betrayal), silence on the second basis deepened the suspicions and mistrust of the Serbs, above all in Serbia.

After that, the mobilization began, which was unclear in its purport, dubious under the law, and covert in the way it was carried out. The reservists from Serbia were resorted to in order to help in breaking the blockade of the garrisons at destinations that included even those that are incomprehensible from the standpoint of Serbian patriotism—Split, Zadar, Sibenik, Bjelovar, Zagreb.... All of a sudden, overnight, the posture of the Serbian people being threatened in Croatian regions had to be turned around and the threat to garrisons which were far from Serbia's ethnic borders already sketched in people's minds had to be demonstrated. Concerning itself only with the consequences of the unsuccessful mobilization, the Serbian leadership passed over in silence the demands for defining the objectives of the war, so that the calling up of the reserves was more like returning the favor to the Army (because of what it had done in the Serbian districts of Croatia) than a serious strategic operation.

The JNA itself, conceived, created, and legally instituted as a defensive army, came up to that critical line of

readiness and reason where it also had to become an army of conquest (if only because of the blockaded garrisons). In the most recent ultimatum sent to the Croatian Supreme Command, there is a threat of destruction of civilian facilities, which places Serbia (no longer the JNA) in a very awkward situation before the European and world observers. The irresponsible and arrogant moves of the reservists in Hercegovina, the bombardment even of Dubrovnik (which is under UNESCO protection), show that the "heroes" have wrenched free of Army control, dropping to the level of armed hordes, above all of Croatian Hercegovinians whom even the Croatian Supreme Command will no longer be able to control.

#### A Nightmare of Jurisdictions

There are many indications that a silent putsch is taking place in the JNA. On the one hand, justification is being found in the disintegration of the SFRY Presidency for many bad moves, but also for the mobilization; on the other, the generals are covering the moves of the Army with decisions which that Presidency made in the period when it was still functioning. Can those decisions be enforceable even now? Why in the "absence" of a commander in chief has the General Staff not sought a replacement by somehow convening the SFRY Assembly? From the standpoint of Serbia's defense law, in the nightmare of jurisdictions that follows from the disagreement between that law and the Law on Armed Forces of the SFRY, one can conclude that the Army is being commanded by none other than the president of the Republic of Serbia! Two articles of the law are indicative in this respect: "In organizing preparations for defense, the president of the republic directs the armed forces in peacetime and wartime, including powers in resolving problems related to organization and personnel in territorial defense." (Article 5); "Active military personnel, except generals, are appointed and dismissed from their positions in territorial defense by the commander of territorial defense of the Republic of Serbia." (Article 37). Because it is completely unclear whether the reference is to the armed forces of Yugoslavia or Serbia, it is quite proper to observe that it is not the authority of the top Army leadership that stands behind the calling up of the reserves in Serbia, but the authority of the top political leadership of Serbia.

In the light of all that, the suspicion and behavior of military registrants are quite understandable, and the Army's threats of enforcing military law and the propaganda of the political-information machine of the Serbian leadership are utterly senseless and counterproductive. With their feet spread far apart on their professional and ethnic supports, the generals have themselves begun to meddle in petty politics and propaganda. Thus, Gen. Kadijevic, in an interview given to SKAJ, treats the reservists mobilized in Croatia as volunteers (most of the publications in Serbia that carried that interview omitted that position); in that interview, Kadijevic, and then Colonel Jovan Milosevic, member of the General

Staff, attributed the failure of mobilization and "desertions" to the rabble-rousing politics of the opposition parties; Gen. Simovic announced to the shocked inhabitants of Bogotic that "Serbism is not being defended on the Drina," and after that it remained unclear whether he was primarily a general of the JNA or defense minister of Serbia; the greatest gaffe was committed by Gen. Adzic, who referred to one of the angry Valjevo reservists, whom the Air Force (by mistake) had dispersed near Tovarnik, as a "blockhead and liar," because the reservist blurted out the truth of this to his face; that same event was covered up in the officer corps, also angry and disappointed, by the insane story that the Serbian reservists actually wanted to surrender to the Croatian warriors and the Air Force prevented them from doing so (!)... All of this, together with much that one learns about a climate of vacation leave and sick leave of officers at the time of the mobilization, has clearly defined the state of affairs in the Army as well as the degree of patriotism of those who are supposed to be defending something, conquering something, or breaking blockades in Croatia under its auspices.

It is worst of all, nevertheless, for the Serbian people, those Serbs in Croatia, who do not know what destiny the Serbian leadership has conceived for it and who (above all the Serbian population in Croatian cities) are becoming hostages of the furious and vengeful Croats. But also for the Serbian people in Serbia, who are supposed to remedy the nightmare of their confused and vague military strategists with a destroyed patriotism called upon to meet political needs.

### **Reasons Croatia Opposes Peaceful JNA Evacuation**

*92BA0062B Belgrade NIN in Serbo-Croatian 4 Oct 91 p 15*

[Article by Srdjan Radulovic: "Krajina: Political Geometry"]

[Text] Units of the Knin Corps do not have the mission of conquering Zadar, Sibenik, and Split, but to extricate from those cities the surrounded families of officers, personnel, equipment, and armament. This is the official position of the command of the Knin Corps, which certainly does not contradict the opinion of the superior command, but leaves unanswered a number of questions essential to the future outcome of the event. First: Does the Army intend to withdraw further east and establish itself behind new borders, which quite certainly will not correspond to the administrative borders of Croatia? And second: Will the new deployment of Army troops contribute to cessation of the war and removal of the danger of a possible spread of the conflict, above all in Bosnia and Herzegovina?

Any raising of this topic inevitably imposes the question of why this was not done immediately and—without casualties. Even the representatives of military authority are not making official assessments, and Colonel Ratko

Mladic, chief of staff of the Knin Corps, answered this question in a previous interview with NIN, saying only that he is neither a surveyor nor a politician. At the same time, we have been hearing increasingly frequent pronouncements by officers to the effect that the Army is withdrawing where it is accepted by the people. This Army strategy, which is based on the will of the people, has a "service life" so long as the factor of the external (ethnic) threat of that people is urgent and so long as the will of the people coincides with the interests of the Army.

In specific terms, given the present political options stated by Krajina leaders, the will of the people could determine not only the final line of Army withdrawal, but also the future border of the Krajina with Croatia. It is difficult to assert without reliable arguments that the main objective of the Army is actually "defining" new borders. One might rather say that this maneuver was forced and that the sluggish military system, after the war in Slovenia and the present war in Croatia, needs a breather with "support of the people." Only then should we anticipate that the top Army leadership is once and for all exposing even its political "cards."

The announcement that military potential is being moved is welcome to Milan Babic. On the one hand, the "will of the people" of the Krajina has already been legitimized in numerous statements of the Army's support, while on the other the titleholder up to now of the "armed sovereignty" on which the gradation of Krajina political positions has been based, including demarcation with the "remainder" of Croatia, will gain Army support even in a military sense. Through the transformation of Krajina armed forces into a system of territorial defense and an internal affairs department, Krajina troops have placed themselves under the military command. To be sure, Martic's warriors are showing that they are not really overinclined to the war-negotiating principle of warfare, which the JNA Supreme Command has introduced. We have learned from people close to Babic and Martic that Babic is reproaching Martic ever more frequently, the latter obviously believing that every war is waged for victory, not for deceptive truces.

However, why are the Croatian authorities not accepting the offer and facilitating peaceful evacuation of the Army and equipment from Dalmatian cities? Three possible answers are being circulated. In Zadar and Sibenik, Split is in a somewhat more specific position, the opstina authorities and armed formations are not under the control of Zagreb. This hypothesis is based on the example of Sinj, whose authorities assented to an agreement on peaceful evacuation of equipment and personnel from the garrison there. The second hypothesis, somewhat more certain, is that the Croatian Supreme Command is maintaining tension on the battlefield, and thereby also in central Dalmatia, because it expects that the conflicts of war could spread to other regions as well, among which the south of Serbia is of the greatest interest to the top Croatian political leadership. That would stretch out the front, and Croatia would have

an easier time getting at the armament and equipment in the blockaded military facilities. The third variant is based on the behavior of the Croatian authorities up to now, who through their policemen in Kijevo, Drnis, and certain other quite small places have provoked a vigorous reaction by the Army and then used the ensuing consequences to promote in the media that they themselves are threatened and to issue charges addressed to the Army. Kijevo and Drnis have been "forgotten," and so, much as in the previous thesis, the top Croatian political leadership needs a new "argument," in this case pictures of the scenic Dalmatian cities that have been destroyed. The sacrifice of their own cities in order to win over international political factors, and ultimately in order to obtain recognition of independence, should not be excluded from possible rationales behind the present behavior of the Supreme Command and its armed supporters. In any case, all these variants have the same objective—maintaining tension and the conflicts of war, because a truce does not suit the Croatian side at all, especially in the case when the Army is withdrawing to new positions bounded by the "will of the people," because that would be the definitive end of the "thousand-year aspirations of the Croatian people."

And that is the main reason why the movement of Army troops cannot contribute to a termination of the war or help to stop the sources of war from spreading. The Croatian Supreme Command will not—even at the price of losing the war—peacefully give up at least a third of its administrative territory, because that would be not only the definitive end of the HDZ [Croatian Democratic Community] power, but also a limiting factor on the new claims of Croatian statehood within "historical borders." Such a peace, then, which even Europe would accept on a long-term basis, would signify for the Supreme Command both loss of the war and loss of power.

The certainty of the continuation of the conflicts of war remain for all practical purposes the only reliable forecast of how events will develop. Even the possible arrival of some member of the Guards in front of the Banski Dvori would not represent a ray of hope, because Tudjman's agitprop people would proclaim even him, using the bolshevik formula already used in Belgrade, a mentally deranged person.

[Box, p 15]

#### The Borders According to Babic

Milan Babic has "drawn" the borders of the Krajina: The southern border follows the upper course of the Cetina River, goes along the end of Lake Peruca, comes out onto Petrovo Polje near Drnis and drops down to the Skradin Gulf, and then goes to Biograd na moru and then almost to Zadar. From the Novigrad coastal area it goes to Gospic in its western branch, which follows the line of the region of Otocac, Licki Osik (renamed Teslingrad), Droznica, Josipdol, and Karlovac, and then it continues along the course of the Kupa River. The northern

borders embrace the city of Petrinja with part of Sisak and follow a section of the course of the Sava and end by embracing the Pakrac section of Slavonia. The western borders follow the course of the Una River and coincide with the present administrative borders, but Babic takes them provisionally, arguing that the Krajina will no longer ever be divided by any borders whatsoever.

#### Decline in Serbian Opposition Popularity

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pp 20-21

[Article including interview with Vuk Draskovic, president of the Serbian Renewal Movement, by Uros Komlenovic; place and date not given: "Twilight of the Opposition: Gone With the March Wind"]

[Text] The specter of the opposition is abroad in Serbia. That is the most succinct way of conveying the new campaign being conducted in the media against the opposition in Serbia. Those who once were false prophets who emphasize interethnic hatred and who are agitating for war, now that the war which they did not cause is raging for fair, have become false peacemakers and traitors to the Serbian national interest. This kind of somersault in midair by the media, which is not unusual at all under our conditions, is beginning to bear fruit. The results of a public opinion survey with the unfailing reservations (the polls have not shown any great accuracy up to now), and also the general political climate in Serbia, visible to the naked eye, show that opposition parties are losing popularity.

"There is an evident decline of influence of that opposition which participated in the December elections, especially the Serbian Renewal Movement [SPO]," says Prof. Vladimir Goati. "The flaring up of the war has set in motion an ethnic radicalization, and in such a situation the party that profits is the one that has been speaking rather clearly, radically, and uncompromisingly. This is the Serbian Radical Party [SRS], which more and more has been attracting the inclination of those who previously voted for the SPO. Even a certain number of members of the SPS [Socialist Party of Serbia] are turning toward them, and the elections in Rakovica are a good indication of the state of consciousness in Serbia. According to recent assessments, the Democratic Opposition of Serbia [DOS] (the SPO, the DS [Democratic Party], the Reformists, and the People's Peasant Party [NSS]) has been reduced from its 45 percent in December to only one-third of the electorate. The influence of the Socialists, who are in power, has also declined, but they nevertheless have the advantage because of the strengthening of Seselj's Radicals, who are extremely close to them."

There are many reasons for the twilight of the opposition, but the state of war is mentioned as the most important. Dr. Ivan Djuric, leader of the Serbian Reformists, says:

"In Serbia, the Communist Party, unlike the Communist Parties of Croatia and Slovenia, which were brought down because of 'bad patriotism,' has taken up nationalism as a means of survival in power and has thereby deprived the opposition of its cheapest weapon. In that kind of situation, the opposition could compete with the ruling party in its patriotism, in which it was doomed to be the loser, because the SPS will always be more nationalistic than any other party. (The best proof of this is the extremist wing of the SPS, the so-called Serbian Radical Party of Vojislav Seselj.) The opposition's other possibility was to oppose the ruling party with arguments about the future, i.e., with bourgeois democracy, at the risk of being misunderstood. When the opposition was attacking the ruling party in ideological terms, it had the advantage, and the best example of that is the March events, in which the bourgeois alternative of Serbian patriotism demonstrated its advantages. At the same time, competition with the ruling party on who are the better Serbs, who are the greater nationalists, who will extend Serbian borders farther to Rijeka, to Istria, and so on, is a battle lost in advance."

#### "Theft of Ideas"

Certain opposition leaders often emphasize the theft of ideas to which the Serbian government readily resorts. This is a well-known phenomenon in political history, and in our case it follows a simple scenario: The opposition party presents an idea, the opposition receives it with its knife drawn, and then a few months later it adopts it as its own, little changed or not changed at all, it pursues it, and it wins new political points. Professor Goati points out that in countries with an advanced democratic system there is always the threat of democratic penalties toward that party which takes over the ideas of others too often and too recklessly:

Such a party loses credibility with its own supporters, who later withdraw their support in the elections. It seems we still do not have a democratic climate, nor an electorate that is able to make a good assessment, so that a penalty of that kind does not occur.

Dr. Vojislav Kostunica, vice president of the Democratic Party, considers the theft of ideas a marginal political factor:

"One can only hope that the SPS has taken over certain essential democratic proposals. Had it done so and adopted different laws on the news media, on financing parties, and on the election system it would have threatened its dominant position. On the contrary, it undertook only those initiatives which were formal in nature. An example of this is the attitude toward the past and the use of events and symbols in an incomplete and falsified manner (the issue of the crest and the anthem). The ruling party has been demonstrating thereby that it can undertake democratic initiatives, whether we are talking about modern democratic standards or the Serbian democratic tradition, only as a formality, partially, and accompanied by inevitable falsification."

Serbia's Democratic Opposition has contributed quite a bit itself to its present position. Disunity, vanity, a lack of a clear concept of action are becoming its trademark. This is what Prof. Leon Kojen says about this:

"After the demonstrations in March, the opposition had a great opportunity to maintain the political initiative for some time. However, the opportunity was missed because of disunity, the lack of any very serious programmatic conception at the level of principle, and because of lapses in arriving at a more precise definition of specific programs. After all that happened in March and that kind of report of the Survey Committee, the parliament should have been abandoned and consistent activity against the regime pursued by democratic non-violent means. Then, the SPO and DS displayed extreme clumsiness, and the civil war came soon thereafter. Disunited when they had their chance, the SPO and DS are uniting only now, when defeat is inevitable."

Aware of the situation its opponents were in, the ruling party hurried to schedule elections for local administrative bodies, which up until now it has been persistently postponing. This time, however, the opposition decided not to enter the elections. Dr. Ivan Djuric presents the arguments in support of that move:

"Nothing has been changed in the election law in spite of the demands of the opposition, public opinion, and even international factors, who assessed the December elections to be illegal and irregular. What is more, we see no possibility of equal competition in the election the way things now stand in the mass media. And then the results are the state of war."

In spite of the obvious advantage which the ruling party has, it still does not seem to be altogether certain of the legitimacy of its power, and the best proof is its behavior concerning the announced arrival of the heir to the throne Aleksandar Karadjordjevic in the country. According to many people, the Serbian Socialists, frightened without good reason by the upcoming event, did everything to prevent the prince's return or at least postpone it. (It is in that light that we should view the patriarch's public statement.) Vojislav Kostunica believes that the SPS is not willing to put its political power to any serious test:

"The experience of the consolidated opposition between the wars can serve as an example to today's opposition. At that time, in the fight against the authoritarian regime, the Democrats, Radicals, and farmworker pushed party differences into the background. The present situation is similar, except that the regime today is still more authoritarian than that one was."

#### Prospects

Ivan Djuric, however, finds reasons for optimism in another quarter:

"The large-scale refusal of recruits to obey in the interior of Serbia can be interpreted in various ways, but in its

repercussions that saving of Serbia's honor could over the 'long run' perhaps be a great opportunity for Serbia to raise its head much higher under more favorable circumstances than it has seemed to us until recently. The Democratic Opposition deserves no credit whatsoever for this situation, and that indicates that in spite of the war the ratings of the SPS are on the way down. It is logical, then, to anticipate that in the near future an authentic democratic alternative will be created to the present government in Serbia."

In any case, it is difficult to expect any changes whatsoever so long as the civil war is going on, and there is no end of it in sight. Whatever the outcome of the war, Serbia will find itself facing great trials. If it wins, the principle of all Serbs in one state will soon be transformed into the slogan "All officers of the JNA [Yugoslav People's Army] in Belgrade" (one needs only to look at advertisements for exchange of apartments in the newspaper NARODNA ARMIJA: Ljubljana-Belgrade, Zagreb-Belgrade, Skopje-Belgrade...). In addition to several thousand officers of the JNA, Belgrade will be flooded with numerous war heroes and still more numerous armed adventurers who will not be prevented by the fact that they never saw the front from demanding the privileges intended for the victors. Incidentally, older citizens of Belgrade still have fresh memories of the arrogance of the liberators in 1944. In case of defeat, however, the situation will be much worse: The disappointed warriors will direct their anger toward those who are to blame, and aside from ethnic and religious minorities they might easily set their sights on domestic traitors as well, i.e., supporters of the opposition. There is evidence that this fear is not groundless in the threat by Goran Hadzic, prime minister of SAO [Serbian Autonomous Oblast] Slavonia, Baranja, and Western Srem, who announced over Radio Belgrade that he could no longer control his people, who are "ready to come to Belgrade and clear up some things." Regardless of the outcome of the war, Serbia also will face poverty, shortages, and economic lag behind the rest of the world. "Dear God is angry at the Serbs."

[Box, p 21]

#### Untaught Islamic Hodjas With the Gospel

[Komlenovic] Recently, there has been a decline in the activity and popularity of the Democratic Opposition of Serbia. How do you interpret that?

[Draskovic] Activities have not been dying out since the events in March, but on the contrary, they have been going full force, but the regime, once it survived the events in March (which it would not have done if it were not for the trading syndrome of certain of the opposition parties), played the card of trading on the misfortune of our western krajinas. The SPS has been displaying its power in measured doses, and it has also been emphasizing a dirty and senseless war without defining the objective of the war and the strategy, without a Serbian army, without an economic base, without diplomatic

support. Only on the surface was that war a lament over the fate of the Serbs, while in essence it is being waged against the Democratic Opposition of Serbia, above all against the Serbian Renewal Movement [SPO]. It has been the SPO, never the HDZ [Croatian Democratic Community] that has been the target of propaganda, which soon managed to erase everything that was won on 9 March. Today, removing the blockade from Belgrade television and the other media is just as important to the destiny of millions of people in this country as removing the blockades from the garrisons in Croatia. However, the war has given the government splendid protection, every voice of reason that is heard is proclaimed to be treason. What we see is miserable slandering and ruination of Serbian youth. Were that not the case, those young people would not be fleeing from the front. They are not cowards, but they refuse to be cannon fodder for someone's objectives.

[Komlenovic] One gets the impression that it has not been possible to change anything in the media since March.

[Draskovic] The situation in the media is much worse than before 9 March, if that is possible. Now, everything has been obscured, and there is unlimited space for satanization of the opposition.

[Komlenovic] How do you perceive the fact that many initiatives that have come from opposition ranks have been taken up in somewhat modified form by the official authorities?

[Draskovic] The national programs of all the parties in Serbia originated in the overcoat of the SPO. The commitment to the regions in Croatia where the Serbs were in a majority before 1941 cannot be separated from Yugoslavia was written down clearly only in the SPO program. Only there are all the solutions out in the open: the asymmetrical federation, the confederation, regionalization, cantonization, all the way to complete division. Each of those solutions is supported by arguments which guarantee that there is no need to wage war, but that everything can be resolved peacefully. Back in January of last year we demanded formation of a Serbian army, removal of all the ideological symbols from national insignia, proclamation of the song "God of Justice" to be the anthem, the return of Karadjordjevic, the return of land and property to previous owners, and so on. Ever since that time we have been crucified, and the government is winning points in a manner disastrous for Serbia. They are turning our Saint Sava nationalism into primitive national-chauvinism, our reasonableness into hysteria, our peacemaking into a dirty war. They put the dunce caps of their stupidities on our wise perceptions, and they make the SPO program and all our ideas "one-eyed." We have always had two eyes: the eye of the past and the eye of the future. The SPS, however, has no eye of the future, and that is the most tragic thing. When the SPS takes over our idea and tries to carry it out, then it is like some Islamic hodja entering a church to preach the Gospel.

[Komlenovic] Nevertheless, many polls show that the SPS again has good chances of victory in the opstina elections which are coming up.

[Draskovic] Those elections will not prove anything, assuming they take place. They will demonstrate what we know even without the elections, that the SPS must win. The SPO will not take part in that, because this is wartime and because an information blackout prevails in Serbia. We have already been in their cave (on 9 December), and we will never go again. Probably, the SPS government will soon celebrate its great election triumph, that is, Serbia's love affair with it, and live to see an avalanche of Serbia's rebellion against it. They are preparing their retreat in advance, they are trying to place the blame for a possible economic, spiritual, and military defeat on the SPO. But labels of treason can only be to our credit. We are traitors, because knowledge has always been a betrayal of ignorance, light a betrayal of darkness, the future a betrayal of the past, and youth a betrayal of age.

[Komlenovic] How do you explain the activity of the Serbian Academy of Sciences and Arts and the Serbian Orthodox Church, which in many of their moves have been directly helpful to the ruling party?

[Draskovic] New times frighten most people who belong to the past. In the Serbia that is coming, the criteria will change, so that it will not be possible to become a member of the academy of sciences on the basis of recommendations, without having published books, without having scientific works, without attaining a European level. Time served during the war in the 1st Proletarian Brigade will have no importance whatsoever. It will be unthinkable for the patriarch to advise his congregation not to attend the Orthodox service for the dead. In all of this, the Book of Books has been confirmed once again: "New wine is not poured into old bottles."

### Mystery Surrounding Macedonian 'Southern Front'

92BA0079B Belgrade BORBA in Serbo-Croatian  
14 Oct 91 p 9

[Article by Dragan Nikolic: "Bombs From Reliable Sources"]

[Text] The "southern front" is like a phantom frightening Macedonians, none of whom could reliably say who is going to open such a front, nor when and why. Nor would anyone be able to say whether it will embrace only Kosovo, or only Macedonia, or Kosovo and Macedonia together. Likewise, anyone would have a hard time saying who will initiate it—Tirana, Zagreb, Belgrade, the Serbian reservists, the Alternative in Kosovo, or the Macedonian secret army. Nor whether it will flare up on some battlefield in central Macedonia, in one of the dozen Serbian villages, in the Peinja valley and Skopje Black Mountains, or in western Macedonia, where the Albanians are in the majority. Someone would have a

very difficult time saying anything more about the objective of that front: Would its purpose be to "adjust borders," bring down the Macedonian government, drive out the "occupying army," create an expanded Serbia, an expanded Albania, an expanded Bulgaria? Would it correct "historical injustices" committed in the last two or three wars against the Macedonians, the Albanians, the Serbs, or the Bulgarians?

### Truth by the Ton

The less is known about the "southern front," the more it is talked about. Aside from those who are worried, there are more and more futurists, patriots, and traitors, Albanophobes and Serbophobes, Serbophiles, and Bulgarophiles. Old and new "historical truths" are being produced in large quantities, old and new traitors and heroes, old and new Balkan and intra-Macedonia plots are being discovered. There are fewer and fewer critical minds and more and more euphoric ones. Macedonia is divided, plundered, sucked dry. Macedonia faces new divisions and more looting and bloodsucking. Macedonia has a reasonable leadership, Macedonia has an unreasonable leadership. Macedonia is being led by the right people, Macedonia is being led by traitors. They are saving it from chaos, they are secretly surrendering it to "Serboslavia." The government and Parliament are expected to make moves which are at one and the same time reasonable and radical: to await the outcome of the "peace process in The Hague" and vigorously invoke the "Slovene scenario" of secession. The most extreme are calling for war against the Army and Serbia—there is no freedom or independence without bloodshed. There is a call for preserving good relations with allies in the last war and for finding new allies who would be less dangerous to Macedonia. The closing of the border with Serbia, opening the border with Bulgaria. Remaining under the "Serbian umbrella," moving under the Bulgarian umbrella, wait for things to sort themselves out, or actively do the sorting out. Proclaim in the Macedonian Constitution a national state or civil state, call others who live in Macedonia nationalists or ethnic minorities, accord them rights by the "European standard" or more than that.

Almost daily the media come forth with some "bomb," usually from "reliable sources." Thus, the command of the 3d Military District received an order not to allow Macedonia's secession at any price or the question of whether what Seselj said in public in the Serbian Assembly was official Serbian policy (that Macedonia could be only a "federal unit"). That 30,000 reservists are already on the northern border, just waiting for the order to begin aggression against Macedonia. That a "general putsch" is a matter of hours. These news items, and particularly the commentary accompanying them, as a rule strengthen the Serbophobia or evoke bitterness. Why should aggression be carried out when Macedonia is not threatening anyone, when it has no paramilitary formations, when it is not bombing garrisons, it is not attacking soldiers, officers, and their families, it is not threatening human rights? Macedonians are industrious

and honest, they do not hate anyone, so why should they be drawn into the chaos of a "southern front"?

#### Difficulties Are Strengthening the "Front"

It is not known whether Dr. Nikola Kljusev, Macedonian prime minister, was caught in a moment of "that kind of uncertainty" following the decision of the "four-way renegades" or wanted to use that moment to consolidate a government that has been criticized and shaken quite a bit when he called for the Parliament to concern itself with nothing except the new constitution and adoption of new laws on Macedonia's independent life and called for the press to bring its editorial policy into line with the policy of the government. Although that did not pass, he got as much as he needed—and the Macedonian press is no longer so inclined to initiatives for removal of certain of his "key ministers," because this destabilizes the republic and because that in the end is "Seselj's plan" for bringing down the Macedonian government.

It seems that the greater Macedonia's internal difficulties (economic and ethnic), the more relevant is the "southern front," and the more confident announcements of its being opened.

The deeper the internal upheavals, the more pronounced the "southern front" reflex. Unprecedented enrichment and impoverishment are taking place, the center of power is shifting from the "class" to the stratum, and the "interethnic" is replacing the "ethnic," communism, and anticomunism. In this context, everyone is seeking his own new place and his own new chance. Macedonians are seeking liberation from federal constraints and the "Serbian dictate," protection against the consequences of the "senseless war," and the Albanians, and indeed even Serbs, are seeking liberation from an "apartheid" such as exists no longer anywhere in Europe. The age-old dream of Macedonians is to be independent, of the Albanians to be a nationality, and of the Serbs to have some kind of status, because up to now they have been without any status at all. The drafters of the constitution have tried to solve the problem—in the preamble of the new constitution they said that Macedonia is the state of Macedonians, while in the normative section that it is the state of the citizens, which did not satisfy the Macedonians, nor the Albanians, nor the Serbs. Dr. Slavko Milosavljevski says that that Constitution is not consistent and that it should state that Macedonia is the national state of Macedonians and the state of the Albanians, Turks, Serbs, Gypsies, and Wallachians who live in it.

While the "southern front" hovers over Macedonia, there are more and more questions without answers: Whether to stay with the allies—the victors in the last war, or to seek new allies among the losers in the war, or to be neutral, if someone is found to guarantee neutrality? Whether to be demilitarized or armed, whether to be a "duty-free zone" or to have "open borders"? The Macedonian prime minister has made several "diplomatic excursions"—to Tirana, Sofia, and Bucharest—

and his suggestion that his mission had been successful was soon followed by flat denials in those places. None of Macedonia's neighbors, it seems, is ready to proclaim "nonexistent Macedonia" a "Balkan factor" that would turn [original reads "disguise"] the chronic Balkan conflicts of interests into an advantage for its own independence or a possible Balkan federation in which all Macedonians would be in one state. Macedonia is evidently working in that direction. The Macedonians in the diaspora are doing what they can for Macedonia to be recognized as an independent state. At the same time, there are more and more people who are not certain whether Macedonia is on the road toward a "historical opportunity" or "historical gamble."

Although this is all happening under the umbrella of a possible "southern front," as the most realistic fact determining policy, it is most likely that the southern front will never be opened. It is simply impossible. Only a Balkan war is possible.

#### Economic Results of Slovene, Croatian Secession

92BA0077B Belgrade POLITIKA in Serbo-Croatian  
13 Oct 91 p 11

[Article by Rodoljub Geric: "Economic Situation After Secession of Slovenia and Croatia: Mad Max and Other Stories"—first paragraph is POLITIKA introduction]

[Text] Will dinars become tinars after the introduction of the tolar? Slovene moves as worldwide sensation. Uncertainty concerning new transport routes. How to halt the appalling destruction of the economic system.

Despite the abundance of bad character traits that our people possess and that are most often described by adages such as "no one can underpay them the equivalent of the amount that they can underwork" and the like, it is probable that no one can deny them one good trait: They manage to come up with various witticisms if necessary, even on the day of their own death. Thus, despite the fact that at the moment it is possible in our country to regard everything as anything but a joking matter, someone has, for example, come up with asking what the most distant Serbian region is: the SAO [Serbian Autonomous Region of] Paolo. Probably for the sake of balance, others have immediately found the punch line to the riddle about what the Croatian national anthem will soon be called, instead of "Our Beautiful." The answer: "It Used to Be So Beautiful."

Of course, besides these and similar ruses, which as we have in fact seen can contain an admixture of black humor, it would be difficult in reality to find even the slightest trace of anything that would resemble comedy. In particular, this epithet could not be applied to the latest Slovene fabrication, the tolar (not the dollar, as it was initially thought), regardless of the fact that now someone could propose that as a countermeasure the tinar be introduced instead of the dinar, which would obviously be legal tender in the remainder of Yugoslavia.

**Opinion of Swiss Banker**

Why is it not possible to regard this matter as frivolous? Simply because what we are talking about here is a serious crime, because of which the majority of upright and completely innocent people will be taken to the cleaners, since the arrival of Slovene trucks filled with worthless bank notes cannot be interpreted as anything other than stealing from their purses the exact amount of money corresponding to the rise in prices. And that amount is at least 30 percent.

A Swiss banker who wished to remain anonymous told us yesterday, having learned of our latest maneuver, that this cannot be regarded as anything other than the sensation of the century! Almost unable to believe that someone would withdraw money and not destroy it, the banker also said that such an event in any normal country would inevitably lead, at the very least, to the fall of the government, and most likely the members of that government would not escape extremely serious criminal charges. Naturally, he was thinking here of countries organized in the form of a state.

However, in a country where young men play handball with bombs, and chance travelers in certain regions do not know whether or not they will end their journey in a hail of mortar shells, all of this seems almost natural. Just as no one is surprised any more when the head of state goes on vacation in France in the middle of the war, attempting along the way to acquire a little ammunition for his boys, and the prime minister accuses his minister of defense of trying to kill him, and subsequently announces that he has no intention whatsoever of attending meetings of his government until the person in question hands in his resignation, and then returns to the capital as if nothing had happened.

**External Blockades, Internal Blockades**

It is natural that in comparison with the described present-day escapades—as well as the much more numerous undescribed ones—of our country's political leadership, even the shady characters which at this very moment are selling us a dollar for 70 dinars on the streets seem almost noble. The fact that from time to time they beat up any buyer who is more nervous than usual because of the discovery that the bills that he got from them lack a watermark or some other insignificant detail, is for now overshadowed by the efforts to maintain some sort of market in this territory; it is a fact that they are at least performing some sort of socially useful service.

The situation that at present seems to black-marketeers to be completely unhindered and free of police torture probably also bears witness to the fact that the authorities, who for some time now have been unable to boast of any meaningful activities whatsoever, are themselves aware, at least to a certain extent, of how hypocritical it would be right now to eliminate the consequences without also eliminating the causes. Moreover, if the causes had been eliminated when they should have been,

it clearly would not have been possible for the two republics that are in fact leaving the common nest early through various transactions to plunder the \$12 billion in citizens' savings and to subsequently use this to finance their war operations. In other words, in order to kill the very people from whom the foreign exchange was seized. It would not be possible for these two republics to conduct and win a budgetary war against the federal state, and for that reason they are demolishing the country's fiscal system, and ultimately the monetary system as well.

In the final analysis, this entire ominous situation, in which, say, Slovenia's latest monetary diversion is leading directly to more inflationary devastation, is impossible, whereby the assumption that it could affect its very protagonists quickly and with greater intensity is no consolation. Even less so because Croatia, as has been predicted, is moving along the same course, and then, if they do not affix a seal on the existing bills or print up entirely new money, no one would be able to count their dinars any longer.

The fact that the situation is indeed ominous is attested to by, among other things, the creditors' sword that hangs continuously over Yugoslavia, threatening to drop down on it together with a demand for forced repayment of all debts, as the precursor to a complete blockade of business and to the seizure of all property that the creditors can get their hands on. Moreover, the financial blockade is already in place (if, of course, we leave out Slovenia and Croatia, to which the agencies of the Austrian, German, and Italian Governments are giving loan guarantees), and it is certain that one must consider the potential for a transport blockade of the "disobedient ones." For example, since the destruction of the transmission lines in Croatia, Serbia has been exporting electricity to Italy by way of Hungary and Austria, but it has already been notified that that movie will not be playing for very long. A similar situation exists with respect to road and railroad transportation. For now, the Hungarians are taking advantage of the opportunity to earn good profits through an enormous increase in duty, but the question that remains is what could happen under certain "more complicated" conditions.

**Eleventh Hour**

The transport of petroleum is a special story with an extremely uncertain finale. New directions (the Danube, the railroad) have been running somewhat smoothly for some time now, but it will be difficult to speed things up at a time when the rivers are becoming more suitable for playing hockey than for cruising. And thus it seems that the fourth installment of the worldwide hit "Mad Max" will in fact be filmed here, without there being any need to hire professional actors.

Specifically, the future as a struggle for the minimal remaining sources of oil, which is the basic story line of that film, has apparently arrived a little early in our situation. Only the spectacle of immeasurable lines at the

gasoline pumps has deprived it of some of its artistic charm. However, the fact that art still imitates life is confirmed precisely in our situation, since we have already had the opportunity to observe occasional fist-fights between motorists, rather dissatisfied with the knowledge that they may have to spend all night embracing their steering wheel instead of their sweetheart.

The fact that not even this has led our people to entertain the hideous notion that they could let their four-wheeled darlings go without gasoline even temporarily can, however, be taken only as an illustration of, shall we say, the general lack of seriousness and unwillingness to assess the situation realistically and to react to it adequately. Naturally, this is no easy thing at a time when everything is falling apart and when under difficult circumstances, amidst internal discord and external interference, it is necessary to practically piece together a new state that can control at least elementary economic developments. It is even more difficult to do so alongside the rapid and apparently long-prepared moves by Slovenia and Croatia, which are directly aimed against the interests of the rest of the country.

But it is precisely for this reason that it appears that the 11th hour has arrived for putting a halt to the already appalling destruction of the economic fabric—and thus every other kind of fabric—in the territory that in the future as well could bear the name Yugoslavia. Jokes about this do not help very much, nor do assertions by the European Community that it will not recognize any unilateral acts. The spurious dinars from Slovenia are in fact already arriving in large numbers in Serbia, Bosnia-Hercegovina, Montenegro, and Macedonia.

#### Croatian Bank Governor on Monetary Independence

92BA0077A Zagreb VJESNIK in Serbo-Croatian  
13 Oct 91 p 9

[Unattributed interview with Dr. Ante Cicin Sain, governor of the National Bank of Croatia; date and place not given: "Cicin Sain: Uphill Road to Croatian Kruna"—first paragraph is VJESNIK introduction]

[Text] The utter subordination of the National Bank of Yugoslavia to the interests of Serbia and the undeclared war against Croatia are forcing us into monetary independence before we even want it, or rather before all the necessary conditions for such a far-reaching step have been met.

In order to have a stable currency, you must have a balanced budget, a restrictive credit policy, controlled earnings, and an exchange-rate policy that is compatible with the desire to maintain stable prices. War is raging in Croatia. Is the transition to a separate currency in its own way an extorted step, a choice of the lesser of two evils? Dr. Ante Cicin Sain, the governor of the National Bank of Croatia, responds to that question.

[Cicin Sain] The Yugoslav monetary system has always been characterized by weaknesses, as evidenced by the continual devaluation of the dinar, but these weaknesses have been the result of the parafiscal and so-called developmental functions of monetary policy. The goal of monetary policy has not been the stability of the currency and healthy market competition, but rather subsidies for individual branches and activities of the economy. Theoretically, the federal budget was balanced, but because of this, huge covert transfers were made outside the authority of the federal budget and the SFRY Assembly, through so-called inflationary taxation by preferred economic activities and regions, as well as preferred republics and provinces.

The Board of Governors of the NBJ [National Bank of Yugoslavia] was the scene of a struggle for currency issue earnings and for prime-rate credits that were approved well below the real price, at a negative interest rate. Croatia fared poorly in this struggle. The monetary-credit policy pursued was custom-made for Serbia. It became absolutely imperative for Croatia to escape from this sort of encirclement.

#### NBJ—Instrument of Serbia

[VJESNIK] Deputy Governor Mitja Gaspari has left the NBJ and has taken a job at the World Bank. Vice Governor Zarko Trbojevic, who conducted negotiations with the IMF, has also left. Those who are left are helping to finance the war. What sort of experience do you have from your work on the Board of Governors, and will you still be attending its meetings?

[Cicin Sain] After the proclamation of a sovereign and independent Croatia, there is no reason to continue going to the meetings of the Board of Governors, except perhaps for business concerning the probate hearings for the "bankrupt state." Today, Serbia is openly using the NBJ, the Board of Governors, and monetary policy as an instrument for making its expansionist pretensions a reality. New money is created almost exclusively for the purpose of financing the Army, for financing the economic structure of Vojvodina and Serbia through selective credits, for financing social calm, and this openly, through incursions into the monetary system.

Some members of the existing Yugoslav monetary system have exhibited restraint towards the development of the new economic order based on private ownership and market competition. These republics regard monetary policy as a means for defending the socialist sector, and that sort of role for monetary policy is incompatible with a policy based on sound money. The utter subordination of the National Bank of Yugoslavia to the interests of Serbia and the undeclared war against Croatia are forcing us into monetary independence before we even want it, or rather before all the necessary conditions for such a far-reaching step have been met. In order to diminish the danger and possible harm, we have decided to introduce the Croatian monetary system in two phases.

[VJESNIK] How much danger is there that monetary sovereignty will be used for political ends, and how does one guard against that?

[Cicin Sain] Any independent, self-supporting creation of a quantity of new issued money is inherently dangerous in the transitional phase. We are aware that the central bank of Croatia will face extremely heavy pressure after the issue-based, inflationary financing of the accumulated deficits in the public sector and in the economy. Everyone must understand clearly that creating paper money does not create real goods, nor can the creation of goods be stimulated by high inflation. Not one economy has ever benefited from inflation. Many countries have had painful experiences with it. Inflation is the cause, not the cure, of many economic and social evils. However, there are even economists here who advocate "inflationary or issue-based stimulation of production." The inflation rate in Croatia is currently at an annual level of 400 percent. We are on the dangerous brink of hyperinflation. What rate of inflation is necessary, according to these prescriptions, in order to halt the decline in production and bring about a turnaround in unfavorable trends?!

[VJESNIK] It is difficult under present-day conditions to pursue a reasonable policy of stabilization?

[Cicin Sain] Inflation is a means for redistributing real resources. It is probable that the Croatian state, under the existing wartime conditions, will have to use such means to a certain extent. Temporary money will be extremely vulnerable, and it is difficult to anticipate that it could in fact be top-quality, with a stable value.

[VJESNIK] Are foreign-exchange reserves necessary in order to introduce our own money? In principle, the policy of a sliding exchange rate makes that possible, but does such an exchange rate lead to the inferno of high inflation?

[Cicin Sain] Certain foreign-exchange reserves are essential to back up new money. It would be easy if we had reserves amounting to three months' worth of foreign debt payments. We will have to have international aid, which is linked to international recognition. The paradox is that we must stand on our own two feet in order to be recognized, but we cannot do that without assistance. In initial circumstances such as these, it will be difficult for the NBH [National Bank of Croatia] to assume responsibility for a stable currency and for the general liquidity of payments.

The NBH and all the mainstays of economic policy will have to avoid at all costs a situation in which the country is forced into the maelstrom of hyperinflation. That would be a catastrophe for our economy and a fiasco for the new Croatian monetary system. For this reason, it must be stated directly that the economy and individual sectors cannot count on a shaky monetary policy, on an abundance of cheap credit, and on plentiful subsidies, not even during this transitional phase. To a certain extent, an exception will be made for the needs of the

state budget, or more precisely—for financing the defensive war and cleaning up problems caused by the ravages of war.

[VJESNIK] What other dangers threaten the introduction of the Croatian dinar?

[Cicin Sain] Under these unsettled conditions, the Croatian dinar will provide protection against the harmful effects of the Yugo-dinar, but it will also bring with it its own kind of economic shock. The market that is currently available will decrease in size considerably. Numerous other questions concerning payments to customs and the customs regimes will be raised. Regardless of whether payment agreements are reached on the basis of convertible or clearing payments, and barter transactions, it is obvious that one must expect a decrease in trade, and an excessive growth in administration and state regulation. This will be reflected in a decline in industrial production, and probably even in the phenomenon of shortages of some goods.

#### Final Act After War

[VJESNIK] When can one expect to begin the second phase, the final act in the achievement of economic and monetary independence by Croatia?

[Cicin Sain] That act can take place after Croatia is vindicated in the military and political sense and control has been established over its entire territory; after we stabilize economic conditions, we will launch a program of stabilization and restructuring, and general consent to this program must be obtained in Croatia, because it is a program of self-sacrifice. The final act can take place after the first positive results have been achieved in the reorganization of the financial sector, and finally, after we have been accepted and recognized by the international political and financial community.

[VJESNIK] Have you put your signature on the bills for the second phase of achieving independence?

[Cicin Sain] That has not been done yet. We are absorbed in the first phase. Initiating the second phase, which will last for years, will be accompanied by the introduction of the Croatian kruna as legal tender. This will be the ultimate symbol of monetary sovereignty, through which the NBH will assume full responsibility for the value of money, a stable exchange rate, and an even balance of payments. That means that the NBH will no longer play a "developmental," redistributing role—it will not rescue inefficient enterprises and losing ventures.

[VJESNIK] Are small monetary jurisdictions prone to further isolation?

[Cicin Sain] The achievement of monetary independence by Croatia clearly cannot mean that it is shutting its doors. There is an extremely great danger of a sort of self-isolation precisely during the period of the temporary currency, and that is the job that lies immediately

before us. For this reason, I place special emphasis on the fact that it is in the greatest interest of the economy and of all citizens that Croatia always remain open to all sincere and constructive intentions in the area of monetary, customs, and economic unions, not only with our former South Slavic neighbors, but also with partners outside that framework.

### Problems of Proposed Slovene Privatization Law

92BA0045A Belgrade EKONOMSKA POLITIKA  
in Serbo-Croatian 23 Sep 91 pp 23-25

[Interview with Professor Ivan Ribnikar by Vladimir Grlickov; place and date not given: "Privatization: Mask for the State"]

[Text] With all available models for privatization, the problem that is posed is what happens with accumulated capital from the sale of enterprises (of current internal and future common shares), or whether and to what extent it is left to the enterprise or goes into state investment funds. Naturally, it would not be worthwhile to look at things "in a black and white manner," especially if the mechanisms are provided for preventing this money from going into consumption.

It seems that the proposed Slovene model for privatization, which is presently before the republic assembly, is causing the greatest polemics in the area where it would be applied. Specifically, it is criticized because it would be applied to Slovene circumstances, would mean the distribution of social property primarily into investment and pension funds (institutional investors) which, under conditions of their unchanged character (these are state and parafiscal institutions), would actually be the implementers of support and nationalization of property. It is considered that the proposed Law on Privatization represents only a "mask" that—through funds and their right to become involved in the operating policies of enterprises—the local state and government would use to appoint their managerial structure (according to the criteria of party affiliation or demonstrated loyalty) which at the least is not more capable than the existing one.

On this occasion we are examining models for privatization in Slovenia through an interview with Professor Ivan Ribnikar and, in Serbia, with a contribution by Professor Ljubomir Madzar (in the last issue the topic was privatization in Macedonia).

[Grlickov] Your criticism of the proposed Law on Privatization in Slovenia is that it leads to support and some type of nationalization of property. I assume that these remarks do not mean that we should remain with the current concept of social ownership without regard to the relatively developed managerial level of administration in the economy of Slovenia. I also do not believe that your remarks mean that a private owner should not be sought. It would also be interesting for our readers to mention that you have not agreed even with the "old" Mencinger model of privatization.

[Ribnikar] I was not included in the preparation of the new draft law on privatization, since they considered that I am not "suitable" for that under the fabrication that I was supposedly one of those at one time that worked on the Law on United Work. But I was one of the sharpest critics of the Law on United Work.

The point is that the latest draft law primarily sees a solution for converting social property into real property in the distribution of part of this property among citizens, not directly, but indirectly in order for the property to be transferred first into investment funds, and then citizens would obtain shares of these funds. The second part of the social property, according to the draft law, could be sold, and the third part would go to pension (institutional) funds.

My basic criticism stems from a concept that I always support, i.e., that the sale of property is not possible, at least not for a time (or never) that we consider foreseeable, for separating it from social ownership. Secondly, I have a critical view of the proposal on the distribution of property to citizens, because of various problems that come up with it, and about which I will say something more later.

[Grlickov] You don't have anything against the proposal that a part of property be privatized through pension funds, because at one time you were a fiery supporter of this idea.

[Ribnikar] I don't criticize anything in that act, just as I also don't criticize the proposal that former private owners be compensated in some way for their property that was nationalized (socialized) at one time. But I am against the simple distribution of property to investment funds or citizens. I am not for the further distribution of property through institutional investors (pension or investment funds). I primarily have in mind the possibility of selling, naturally, and not distributing property as a way of reaching the owner of the enterprise with an additional investment of capital.

[Grlickov] Is the role of so-called institutional investors, who today are objectively under purely state control, the most controversial.

[Ribnikar] This is the reason why I support the prevention of enterprises coming under the control of institutional investors. Therefore, what is transferred into ownership through institutional investors should not be in the form of common shares (with the right to vote and to administer an enterprise) but primarily in the form of preferred shares.

I am against the idea of transferring the administration of enterprises into the hands of institutional funds, because it is necessary, in today's postcommunist society and the intention that we free ourselves of this system, for the mechanisms to be built for the possible attack of the state against enterprises. And this danger exists if the representatives of these institutional investors will have the right to common shares, and thereby also the right to

control an enterprise, as is proposed under this law. I think that the possibility opens up in this way for the state and government, current or future, to begin to get involved in the operation of a firm.

[Grlickov] Do you think that this is an opportunity for the legalization of the involvement of the state?

[Ribnikar] It is; a legal basis would be created for involvement in the operations of an enterprise. Before, this was done through illegal channels, because there was not a basis for this in a single regulation.

[Grlickov] Can institutional investors of the type that exist in the world become involved in the operation of an enterprise?

[Ribnikar] They don't usually do it, since they follow a policy of so-called portfolio diversification, whereby they have a very small number (and value) of enterprise shares in their possession. Thus, institutional funds do not have the possibility of control in an enterprise. There the bulk of shares are in the hands of others, e.g., they can be groups of private owners where it is sufficient to have 20 percent of capital (shares) in order to establish control.

[Grlickov] There institutional investors have already sold shares to private and other parties, so there is no danger of support?

[Ribnikar] There is. In fact the real purpose of investment funds is to make it possible in some way for people with small capital to become shareholders of enterprises themselves. And through the diversification of operations, these funds reduce risk and make their shares nonrisks.

[Grlickov] Has the possibility been created, with regard to preferential shares, for the state to have a normal role, like everywhere else in the world, with bad enterprises (overhaul, insolvency and the like).

[Ribnikar] In the case of ownership of preferential shares as well, without the right to vote and administer, the intervention of owners of institutional funds is possible if it is shown that they are not receiving the expected profit on their participation (shares). In any case, management must keep in mind in advance that it can be replaced if investors are not provided with a profit and the agreed-upon dividend. Thus, I support the introduction of a rule that, if the profit is higher than that agreed on, one part goes to the manager, and with it a part could go to workers on the basis of their participation in ownership.

[Grlickov] The problem is that our enterprises do not have capital. Is the problem resolved with the available Saksov model for privatization, which represents the basis for the draft Slovene law?

[Ribnikar] It is not a problem only of additional capital, but also that we have been "eroding away" existing capital for years. Because there is no one to worry about

it and its regeneration. No one worries about whether beyond the price of goods that are sold, for example, something remains for amortization and profit. Thus, there will be management and workers in a situation who realize that they cannot survive if they don't get additional capital.

The thing is that they cannot acquire additional capital other than by inviting those who have money or some savings to join their enterprise. And someone who joins the enterprise with his money receives common shares and should assume control over operations. That's the correct way to open the process of real privatization, which can last as long as is necessary.

[Grlickov] Let's finish the conversation with some sort of summary of the basic ideas that you have cited. You've started with the idea that the danger of supporting the enterprise should be prevented.

[Ribnikar] The model that I support prevents the danger of an attack by the state on enterprises that retain some sort of autonomy. Secondly, we are resolving the problem of the role of management that gains control over operations and attempts to have profits renounced. Thirdly, we are opening up the way for forming private capital and new owners who control the quality of the work of management. At the same time, we are developing the institutions of a market economy, such as shares, bonds, and securities. I am against the distribution of property through shares, which is contrary to the principles that are valid in market economies, let's say Austria, where only 6 percent of Austrians possess securities. And we support their distribution through funds to the most citizens possible, although most of them don't even know what it is.

[Grlickov] In fact, you support finding a smaller number of real owners, rather than all the citizens, which could not be taken for privatization.

[Ribnikar] In fact, the motto would be that an owner can be anyone who wants to be one, but on the basis of invested capital and the money that he possesses. Naturally, all this does not exclude that a smaller part of the property be distributed to workers, let's say some 10 percent of it, which would not interfere with my basic principle. It would be worse if workers become majority owners of an enterprise, because in that case no one would agree to new investments; in that case I would be certain that my property would not increase profitably. There will be channels—I'm using a harsh expression—for the theft of my property.

[Grlickov] Finally, you have a federal law on social capital whose changes support the essential changes in ownership, so that internal shares would assume an external character.

[Ribnikar] Up to now the Law on Social Capital has not been able to bring about privatization, and the changes about which you speak signify some positive movement. I just don't know at all in which part of Yugoslavia that

federal law would be valid. Croatia has its law, we in Slovenia are preparing our law, and I hear that Macedonia will also get its own.

[Grlickov] What did you find wrong with Mencinger's model for privatization which was not earlier accepted in Slovenia?

[Ribnikar] There were mistakes there, sales with large discounts, because this amounts to some sort of combination—sales with a gift. And the largest gift is received precisely by those who have the most money with which purchases could be assured (gifts are usually given to the poor). A second weakness was autonomous privatization that made it possible with 10 percent of capital to provide 20 percent of the contribution each year. This would be reduced to common robbery. In contrast to this, my concept is reduced to the placement of existing property "in autonomous privatization" and then to sell it to the institutional investor, at which point the enterprise is obligated to pay him a dividend. And at the same time the institutional investor is not involved in the operations of the enterprise while it pays him this

dividend. This means that the so-called absent owner has control of the enterprise. In addition, within the framework of my model the possibility of sale to outsiders or other owners of capital is built in. In this case the enterprise decides about the sale, at which point foreigners could also buy it as the sole solution for it. Here I do not insist on the sale, but on the generation of additional capital in the enterprise. Because there isn't a problem just because there's no owner, but also because there isn't sufficient capital. In my model the two problems are resolved at the same time. Additional capital is generated in the enterprise and together with it—an owner.

[Grlickov] The problem is where would the additional capital go, into the enterprise or into some investment fund?

[Ribnikar] Here there are two "ways out." Capital could go into the enterprise, or into some funds, but where the money would not be spent but would go into investments: for example, into the construction of roads, railroads, and the like.

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